

EUROPEAN ANTI-POVERTY NETWORK – SERBIA



**POVERTY WATCH SERBIA 2024:  
TOWARD A SYSTEMIC APPROACH  
TO SOCIAL PROTECTION**

OCTOBER, 2024

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## Introduction

This is the sixth Poverty Watch produced by the European Anti-Poverty Network - Serbia (EAPN Serbia) to monitor poverty trends and advocate for more effective anti-poverty measures and policies in Serbia.

The report presents indicators of poverty and inequality in Serbia based on the latest EU-SILC data from 2022, general labor market indicators, and the data on the Impact of social transfers on the risk of poverty and inequality. The focus of this report is the systemic and structural shortcomings of the social protection system in Serbia.

The importance of this topic is also reflected in the fact that social protection and social inclusion in Serbia are assessed as critical areas in the context of the European Pillar of Social Rights. It is emphasized that the social protection system, while in some areas it supports inclusion, poverty reduction, and strengthening equality, proves to be unfair and reinforces inequality and exclusion.

## Poverty in Serbia

### Indicators of poverty in Serbia

The Republic of Serbia halved the value of the Multidimensional Poverty Index<sup>1</sup> compared to 2010 as one of 19 countries that achieved this (out of a total of 110 developing countries included). Key indicators of poverty and social exclusion in Serbia are presented in the table below.

Table 1: Key indicators of poverty and social exclusion in Serbia

	2018	2019	2020	2021	2022
At-risk-of-poverty rate, %	24.3	23.2	21.7	21.2	20
At-risk-of-poverty or social exclusion rate, %	33.9	31.1	29.8	28.4	28.1
At-risk-of-poverty threshold (on a monthly level), EUR	142	166	188	206	226
Relative at risk of poverty gap	37.4	32.1	27.1	28.3	25.7
Income quintile share ratio S80/S20	8.6	6.5	6.1	5.9	5.5
Gini coefficient	35.6	33.3	33.3	33.3	32
Persistent at-risk-of-poverty rate	19.6	15.9	14.5	16.5	12.9

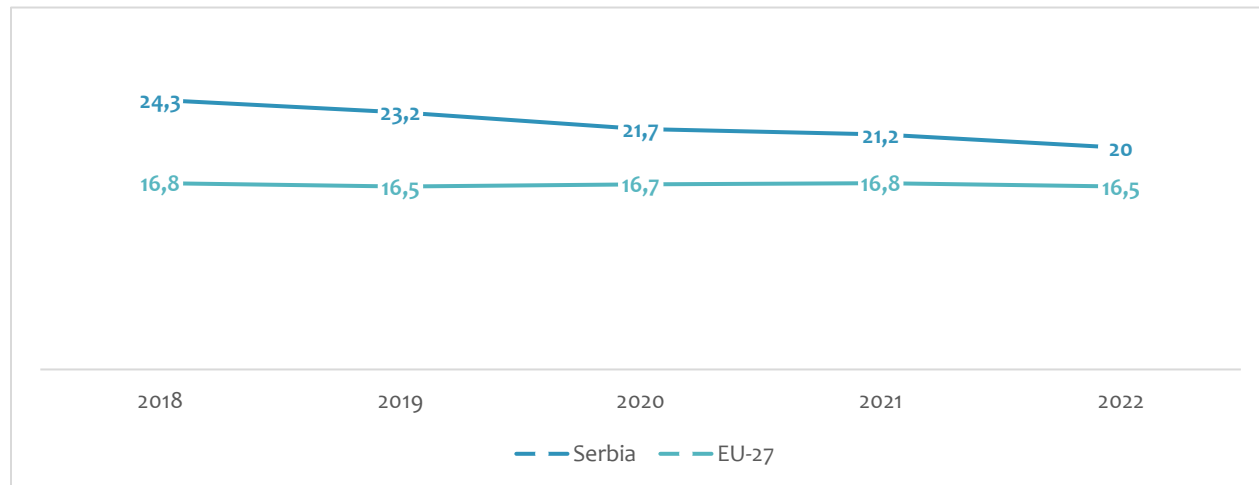
Source: Poverty and social inequality, Statistical Office of the Republic of Serbia (SORS)

Poverty continues to be a challenge. The at-risk-of-poverty rate decreased from 24.5% in 2013 to 20.0% in 2022, which is still higher than the EU-27 level (16.5%, SILC, 2022). Specifically, Serbia ranks tenth in terms of at-risk-of-poverty rate among European countries that measure this indicator according to the European Union's (EU-SILC) methodology. While a fifth of the population was at risk of poverty in 2022, almost a third of the population in Serbia (28.1%) was at risk of poverty or social exclusion.

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<sup>1</sup> Oxford Poverty and Human Development Initiative, Global MPI report 2023: Unstacking Global Poverty – Data for High Impact Action.

Chart 1: At-risk-of-poverty rate after social transfers, Serbia and the EU-27, %



Source: Eurostat, tespm010

Values of indicators of inequality have been decreasing slowly, but steadily. In the last five years income quintile share ratio S80/S20 decreased from 8.6 to 5.5, while the Gini coefficient decreased from 35.6 to 32. Inequality is still a prominent problem in Serbia, quintile share ratio of 5.5 in 2022 means that the wealthiest 20% of the population has a total income almost six times higher than the poorest 20% of the population in Serbia.<sup>2</sup> According to the Gini coefficient, which is 32, Serbia is among the countries with the highest income inequality in Europe.<sup>3</sup>

The cause of such large income inequality is found in the entire complex of rules for collecting public revenues and distributing public expenditures. Also, taxes have a much smaller effect on reducing income inequality than in the EU (2.7 versus 4 percentage points), which is a consequence of the low progressivity of income taxes in Serbia.<sup>4</sup> The regressiveness of the tax system in Serbia puts a greater burden on the lower-income strata of the population. So, for example, income tax and social contributions (which are also a type of tax) burden people who work for the minimum wage more than a person who earns several times more.<sup>5</sup> The introduction of more progressive taxation in Serbia is seen as a solution for a more efficient redistribution of wealth because disproportionately higher tax obligations would be imposed on the part of the population that earns more than the average income.<sup>6</sup>

<sup>2</sup> Eurostat, ILC\_DI11.

<sup>3</sup> Eurostat, ILC\_DI12.

<sup>4</sup> Arandarenko, M., Krstić, G., & Žarković Rakić, J. (2017). Dohodna nejednakost u Srbiji: Od podataka do politike. Beograd: Friedrich Ebert Stiftung.

<sup>5</sup> *Ibid.*

<sup>6</sup> Mandić, Lj. (2019). Rečnik socijalne zaštite, Pokrajinski zavod za socijalnu zaštitu.

The Fiscal Council of Serbia proposes a reform that would make the tax system more progressive. Depending on the type of reform, it may be possible to reduce inequality by more than one percentage point and the relative poverty rate by about one percentage point by altering the Law on personal income tax.<sup>7</sup> The regressiveness of the existing tax system in Serbia puts a greater burden on the lower-income strata of the population. For example, income tax and social contributions (which are also a type of tax) burden people who work for the minimum wage more than a person who earns several times more.<sup>8</sup>

**The risk of poverty varies by age group, employment status, and household type.** The most vulnerable are people aged 65 and over – 22.6%, followed by people aged 55 to 64 – 21.6%, while the lowest rate of risk of poverty was experienced by people aged 25 to 54 – 17.9%. Depending on the employment status, among persons over 18 years of age, the most exposed to the risk of poverty were unemployed persons – 49.2%, while the lowest rate of poverty risk was among those employed by the employer – 5.6%. According to the type of household, the highest rate of risk of poverty was in single-member households consisting of persons aged 65 and over – 37.5%, and the lowest in households with three or more adults – 15.4%.<sup>9</sup>

Table 2: At-risk-of-poverty rate by sex and age, 2022

	Total	Male	Female
<b>Total</b>	<b>20</b>	<b>19.3</b>	<b>20.7</b>
0–17	20.3	20.1	20.6
18–64	19	18.8	19.2
18–24	20.4	18.4	22.3
25–54	17.9	17.8	17.9
55–64	21.6	22.2	21.1
65 years and more	22.6	20	24.6

Source: Poverty and social inequality, SORS

**Also, there are gender differences in the at-risk-of-poverty rate.** The data indicate a higher at-risk-of-poverty rate in women, as well as a slower decline in the rate in the observed period (2018–2022), with a widening gender gap. The feminization of poverty is contributed to by the increase in the proportion of households headed by women, which are on average poorer than households headed by men, due to the less favorable position of women in the labor market.

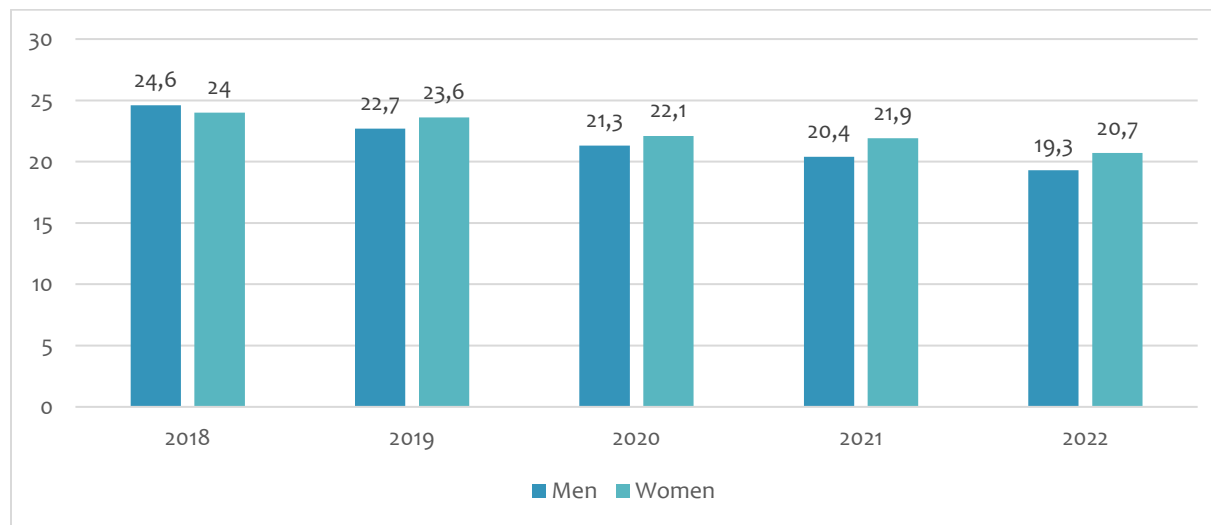
<sup>7</sup> Fiskalni savet Republike Srbije, Dve decenije Zakona o porezu na dohodak građana: Mogućnosti i potrebe za sistemskom reformom, materijal za javnu raspravu, Beograd, 1. jul 2021.

<sup>8</sup> Arandarenko, M., Krstić, G., & Žarković Rakić, J. (2017). Dohodna nejednakost u Srbiji: Od podataka do politike. Beograd: Friedrich Ebert Stiftung.

<sup>9</sup> Serbia – Economic reform programme for the period from 2024 to 2026, p. 114.

According to the Progress Report on the Implementation of the Sustainable Development Goals by 2030 in the Republic of Serbia, progress in lowering the at-risk-of-poverty rate has been particularly strong among the young male population (18-24 years of age), but the older population (65+), especially older men, and women in the older labor force contingent (55-64 years of age) are moving away from the goal (SDG 1: End poverty in all its forms everywhere).<sup>10</sup>

Chart 2: At-risk-of-poverty rate, by gender, %



Generally, the level of gender equality in the Republic of Serbia is still not satisfactory. According to the 2023 Global Gender Gap Report<sup>11</sup>, the Republic of Serbia ranked 38th out of 146 surveyed countries. Although the overall position is relatively good, there was a drop of 15 places compared to 2022 (23rd place). Favorable results are noticeable in the areas of education and political empowerment, with 37th and 32nd place on the list, respectively. However, a relatively weak performance was achieved in the areas of economic participation and opportunities (69th place) and health and survival (79th place).<sup>12</sup>

## Labor market

As presented in the latest Employment and Social Reform Programme (ERSP) report, positive developments in the labor market in Serbia are reflected in the growth of employment (registered employment, predominantly in the private sector), while the slowdown in economic activity and

<sup>10</sup> SORS, Progress Report on the Implementation of the Sustainable Development Goals by 2030 in the Republic of Serbia.

<sup>11</sup> Global Gender Gap Report measures the current state of affairs and progress of gender parity through four key dimensions: 1) economic participation and opportunity, 2) educational attainment, 3) health and survival, and 4) political empowerment, which is why gender differences are assessed, not overall levels.

<sup>12</sup> Serbia – Economic reform programme for the period from 2024 to 2026, p. 115.

inflation are primarily reflected in real incomes and consumption – average gross and net earnings in the period January-September 2023, grew by 1% in real terms.<sup>13</sup> In June 2024, the average consumer basket in Serbia amounted to 883 euros, while the minimum consumer basket was around 457 euros.<sup>14</sup> On the other hand, the average salary in Serbia in 2024 is around 836 euros, while the minimum wage is around 390 euros. In other words, the average consumer basket is 5.3% higher than the average salary, while the minimum consumer basket for a check is 14.6% higher than the minimum wage.

**Activity rate (for population 15+)** which is 55.8% in third quarter (Q3) of 2023. (EU-27: 58.1% for the population 15+, Q3 2023, Eurostat) shows an increase of 0.7 percentage points (p.p.) compared to the same quarter of the previous year, while the number of active people is 3.17 million (an increase of 3.9 thousand year-on-year). Women have a lower rate of activity on the labor market (49%) than men (63%), so the gender gap in the rate of activity on the labor market amounts to 14 p.p. Employment rate (15+) from 50.7%<sup>140</sup> in Q3 2023. (EU-27: 54.6% for the population 15+, Q3 2023, Eurostat) shows an increase of 0.5 p.p. compared to the same quarter of the previous year, while the number of employed people is 2.89 million (a reduction of 3.1 thousand year-on-year).

**Employment rate** of women is 44.3% and of men is 57.6%, so the gender gap in the employment rate on the labour market is 13.3 p.p. Self-employed (with or without employees) were 22.3% of women and 77.7% of men in Q3 2023. When it comes to unpaid family work, women make up the majority with a share of 73.8% in total unpaid family work, while the share of men is 26.2%.

### Effects of social transfers on poverty

Social transfers represent important protection from poverty for many families in Serbia. At-risk-of-poverty rate if social transfers and pensions are not included in the income increases sharply from 20% to 41.5%. However, as presented in the table below, pensions have a much greater impact on reducing the at-risk-of-poverty rate.

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<sup>13</sup> SORS, Press release: Average earnings per employee, available at: <https://www.stat.gov.rs/en-US/oblasti/trziste-rada/zarade>

<sup>14</sup> Republic of Serbia, Ministry of Internal and Foreign Trade, Purchasing power of the population.



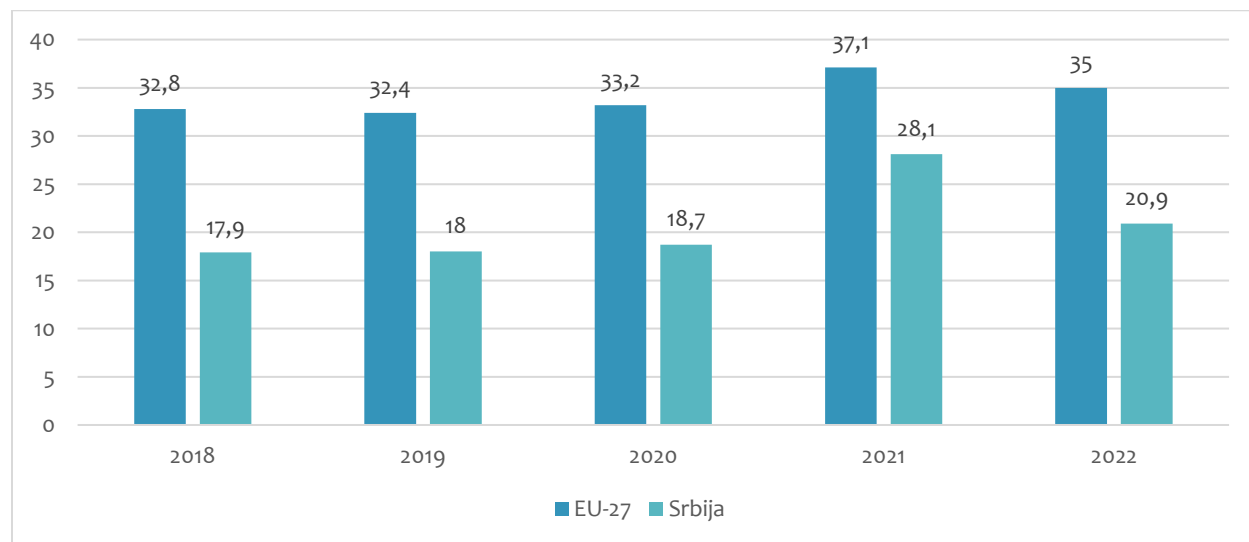
Table 3: Impact of social transfers and pension on the at-risk-of-poverty rate

	2018	2019	2020	2021	2022
<b>At-risk-of-poverty rate, %</b>	24.3	23.2	21.7	21.2	20
Social transfers not included in the income, %	29.6	28.3	26.7	29.5	25.3
Pensions and social transfers not included in the income, %	48.7	46.6	44.8	46.4	41.5

Source: Poverty and social inequality, SORS

Compared to most other European Union countries, social transfers in Serbia have a smaller impact on poverty reduction. Specifically, in 2022, Serbia was among the five countries in which the smallest impact of social transfers on poverty reduction was recorded.

Chart 3: Impact of social transfers (excluding pensions) on poverty reduction, %



Source: Eurostat, tespm050

Also, the EU-SILC provides data on income inequality before and after social transfers. In 2022, the value of the Gini coefficient was 3.4 p.p. lower after social transfers, while this difference at the level of the European Union was 5.3 points lower.

## Social protection system in Serbia

The social protection system in Serbia includes social insurance (pension-disability insurance, health insurance, and unemployment insurance), labor market measures (active and passive measures), social assistance, and social services. The components of the social protection system are presented in the box below.

**Social assistance** targets the poor and vulnerable. These programs reduce chronic poverty and protect people from falling into poverty, provide support for other vulnerabilities, and provide support at certain points in the lifecycle. Assistance includes non-contributory programs such as cash transfers, in-kind support, or other forms of targeted consumption assistance as well as family- and child-related cash benefits.

**Social insurance** targets the population at large. These programs are intended to help people smooth income across the lifecycle and protect them from shocks. Social insurance programs are contributory and provide benefits to those who contribute to the program, with the level of benefit related to their contribution. Social insurance comprises pension and disability insurance, health insurance, and unemployment insurance. Entitlements under pension and disability insurance and health care are partly funded from the national budget. Most social benefits are provided at the national level.

**Social services** target individuals and families to improve or preserve their quality of life, eliminate and mitigate the risk of adverse life circumstances, and create opportunities for independent living. Foster care or elderly care are examples of these services.

**Employment and labor market programs** improve the inclusiveness and effectiveness of labor markets. They aim to increase and/or improve the quality of labor supply, labor demand and job matching, and protect income against labor market shocks. They include job-search assistance, skills training, wage subsidies, public works and unemployment benefits.

Source: World Bank, 2022.

Within social assistance, it is possible to distinguish two groups of programs: programs aimed at materially disadvantaged populations and categorical programs. The first group that targets the materially disadvantaged population includes **financial social assistance** and **child allowance**. Another group of social assistance programs consists of categorical programs that are intended to meet the needs of certain groups or categories of the population, such as the elderly, people with disabilities, the unemployed, etc.

Therefore, the social assistance programs that are poverty-targeted are:

1. **Financial social assistance** is considered a social protection instrument that is activated after all other support mechanisms have been exhausted and belong to the group of social benefits that are not based on contributions.<sup>15</sup> According to the Law on Social Protection, the right to financial social assistance belongs to an individual, that is, a family, who, through their work, income from property, or from other sources, earn less than the amount of financial social assistance determined by this law.<sup>16</sup>
2. **Child allowance** is a cash benefit to reduce the poverty of low-income families with children.<sup>17</sup> The Law on Financial Support for Families with Children governs the right to child allowance. If the household's monthly income does not exceed the census, a child allowance is granted to the parent or child's guardian, who provides direct care for the child or the child.<sup>18</sup>

Since these social assistance programs are not based on contributions, they are financed from public revenues, i.e. taxes.

In a time of transition to modern family models, pronounced population aging, and depopulation, many other needs are not necessarily or primarily characterized by poverty alone but require some response on the part of the community. These include the needs relating to reconciliation of work and parenthood, long-term care, as well as the need to protect particularly vulnerable groups. Data show that, in recent years, the number of reported domestic violence cases has been on the increase, as well as the number of children without parental care, single-parent families, the elderly in need of home care services, children and adults with disabilities who are unable to participate in social life without support services. In addition, several vulnerable groups are not recognized to a sufficient extent, either within the system or in the general public; these include young drug or alcohol addicts, treated addicts, former convicts, children's victims of forced begging, children without recognized paternity, etc. At the same time, as shown by the mapping findings, community-based services at the local level are still insufficiently available, unevenly developed, and often also unsustainable.<sup>19</sup>

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<sup>15</sup> Matković, G. (2020). Istraživanje o mehanizmima za uključivanje u formalno tržište rada korisnika novčane socijalne pomoći. Beograd: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

<sup>16</sup> Zakon o socijalnoj zaštiti, *Sl. glasnik Republike Srbije*, br. 24/2011 i 117/2022 - odluka US.

<sup>17</sup> Matković, G. (2020). Istraživanje o mehanizmima za uključivanje u formalno tržište rada korisnika novčane socijalne pomoći. Beograd: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

<sup>18</sup> Zakon o finansijskoj podršci porodici sa decom, *Sl. glasnik RS*, br. 113/2017, 50/2018, 46/2021 - odluka US, 51/2021 - odluka US, 53/2021 - odluka US, 66/2021, 130/2021, 43/2023 - odluka US, 62/2023 i 11/2024 - odluka US.

<sup>19</sup> Government of the Republic of Serbia. 2016. Employment and Social Reform Programme in the Process of Accession to the European Union.

## Systemic shortcomings of the social protection system in Serbia

The analysis of Serbia's social protection system reveals two systemic shortcomings: the first is the budgetary allocation for social protection, or more specifically, for social assistance programs that target low-income households; the other is the absence of policies intended to support vulnerable populations and to reduce poverty.

One of the most significant measures of the extent of the intervention that offers citizens security and safety through a range of monetary and non-monetary social benefits and services is the amount of money spent on social protection.<sup>20</sup> This is represented by the percentage of gross domestic product (GDP) that is allocated to social protection. Total expenditures for social protection in Serbia in 2019 amounted to 14.1 % of GDP. **Expenditures on social protection are considered relatively high and similar to those of new EU member states and exceed those of other Western Balkan countries.** However, they are lower than the EU average, where the general government expenditure on social protection stood at 19.5 % of GDP in 2022.<sup>21</sup> **At the same time, general social expenditure in Serbia per head of an inhabitant is smaller than in any other country of the EU or the Western Balkan region, except Albania.**

Most social protection spending in Serbia is absorbed by social insurance – 10.3% of GDP in 2020, or 71% of total social protection spending, leaving limited resources for social assistance and employment and labor market programs.<sup>22</sup> Spending on non-means-tested programs remains more than three times the spending on means-tested financial social assistance and child allowances.<sup>23</sup>

A World Bank Situational Analysis on Social Protection in Serbia indicated that social protection expenditures are less poverty-targeted than in many European peer countries. As per World Bank's estimates, Serbia spends 5% of social protection expenditures on means-tested, i.e., poverty-targeted programs, which is significantly lower compared to EU countries for which the average share of expenditures reaches 12%. Consequently, the effectiveness of the social protection system in reducing the risk of poverty in Serbia is lower than in most countries in Europe. The efficiency

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<sup>20</sup> Matković, G. (2017). Praćenje socijalne uključenosti u Republici Srbiji: Indikatori socijalne zaštite i socijalne sigurnosti. Beograd: Tim za socijalno uključivanje i smanjenje siromaštva Vlada Republike Srbije.

<sup>21</sup> Eurostat, Government expenditure on social protection, available at: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government\\_expenditure\\_on\\_social\\_protection](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Government_expenditure_on_social_protection)

<sup>22</sup> World Bank (2022). Serbia: Social Protection Situational Analysis. Washington: International Bank for Reconstruction and Development / The World Bank.

<sup>23</sup> World Bank (2020). Serbia: Systematic Country Diagnostic Update. Washington: World Bank.

coefficient of the Serbian social protection system is 6.1 and is lower than the average of comparable Eastern European countries (8.6) as well as the average of the European Union (7.8).<sup>24</sup>

In addition to the shortcomings resulting from inadequate budgetary allocation for social assistance programs that are poverty-targeted, **the state policy does not deal with the systemic solution of the problem of poverty, nor with the improvement of the existing social protection system.**

Serbia does not have adequate policies for poverty reduction, and unsuccessful attempts to pass a new law and strategy in the field of social protection are evaluated as an indicator of unwillingness to understand these policies as important development and protection policies.<sup>25</sup> As stated in World Bank Systematic Country Diagnostic, „Reform efforts have been hampered by weak institutional capacity and lack of policy coordination. For example, there has been limited progress on consolidating social benefits, expanding means-tested programs, and implementing efforts to increase the activation of beneficiaries“.<sup>26</sup>

For the development of social protection policies, it is necessary to adopt a strategic framework. During the past few years, the process of developing a new Social Protection Strategy was initiated, the adoption of which didn't occur before this report was made.

The Draft Action Plan for the Strategy of Deinstitutionalisation and Development of Social Protection Services in the Community is currently being developed, which will represent a road map for the implementation of the process and coordinated development of services throughout the country, as well as the transformation of accommodation institutions into community service providers.

The Action Plan for the implementation of the Strategy for the Improvement of the Status of Persons with Disabilities in the Republic of Serbia for the period from 2020 to 2024, in the period from 2023 to 2024<sup>27</sup> was adopted to improve the overall social and economic status of persons with disabilities and their equal participation in the society. In this manner, the actions of the responding institutions will be improved, and the monitoring of achieved results, quality reporting, as well as timely revision of goals and identified measures for the sake of better planning in the future will be enabled.

Encouraging socially responsible business operations, while taking into account the social and work inclusion of members of socially vulnerable groups and meeting their needs, is provided by the

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<sup>24</sup> The aggregate effectiveness of social policies in reducing the risk of poverty can be calculated as a percentage reduction in the risk of poverty before and after the implementation of social protection programs (the so-called measure of social policy effectiveness) concerning total expenditures for social protection (as a % of GDP).

<sup>25</sup> Babović, M. & Stević, M. (2023). Stanje siromaštva i socijalne isključenosti u Srbiji, Monitoring socijalne situacije u Srbiji - MONS.

<sup>26</sup> World Bank (2020). Serbia: Systematic Country Diagnostic Update. Washington: World Bank.

<sup>27</sup> Official Gazette of the Republic of Serbia, No. 59/23

implementation of the Law on Social Entrepreneurship.<sup>28</sup> Registration of a social enterprise in the Agency for Business Registers has been possible since November 2022, and the data show that during 2023 (until July) 13 new social enterprises were registered. The Council for Social Entrepreneurship was established, which has a key role in providing guidelines for the further improvement of this sector, including the development of the Social Entrepreneurship Development Programme. However, the financing of the program has not yet been enabled.

## Structural shortcomings of the social protection system in Serbia

This chapter will cover the structural deficiencies of the two components of the systems of social protection in Serbia – shortcomings of social assistance programs and shortcomings of provision of social services.

### Shortcomings of social assistance programs

Shortcomings of social assistance programs in Serbia are presented through two aspects:

1. inadequate coverage of social assistance programs that are poverty-targeted, and
2. inadequacy of the amount of the cash benefits.

#### I. Inadequate coverage of social assistance programs

By international standards, the main poverty-targeted programs in Serbia, financial social assistance and child allowances, are well-targeted to poor households.<sup>29</sup> According to the latest available data in 2019, 63% of social assistance beneficiaries were in the two lowest quintiles, while only 8.7% of total social assistance benefits reached the richest.<sup>30</sup>

However, coverage of the poor population by social assistance programs in Serbia is generally low, and, in recent years, there has been a decline in the number of beneficiaries of social assistance programs aimed at the poor.<sup>31</sup> A continuous decrease in the number of beneficiaries of financial social assistance and child allowance has been observed in recent years in Serbia, although in the same period, there was no statistically significant drop in the risk of poverty rate nor a substantial

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<sup>28</sup> Official Gazette of the Republic of Serbia, No. 14/22.

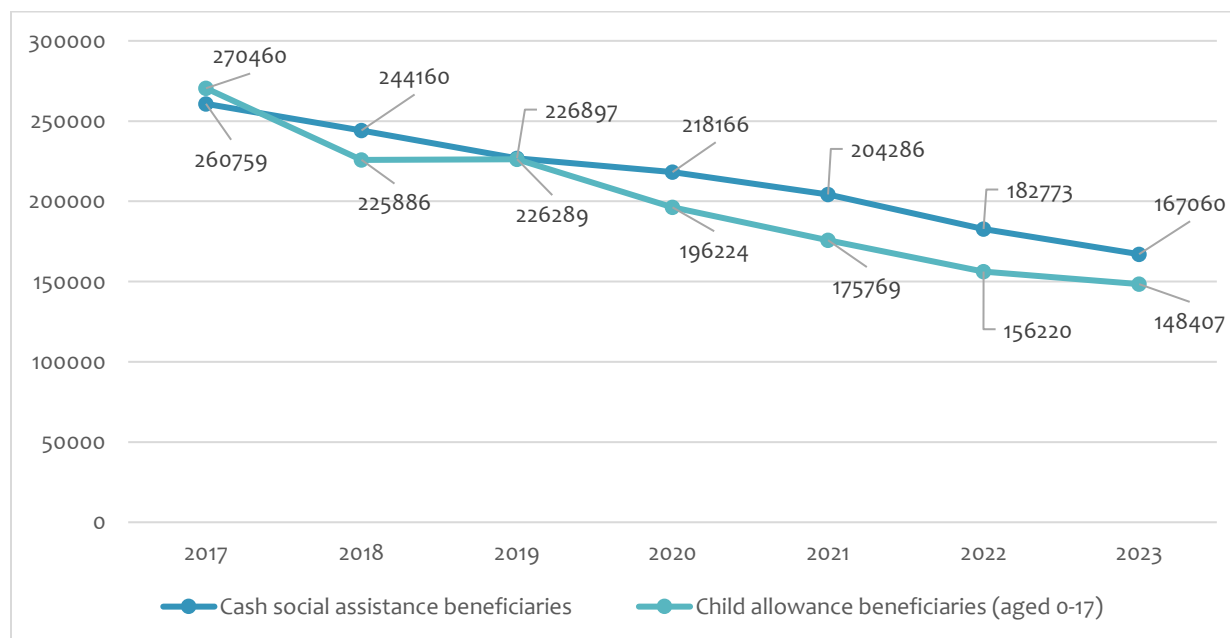
<sup>29</sup> European Commission – Serbia Report 2022.

<sup>30</sup> World Bank & UNICEF (2022). Pregled javnih rashoda za socijalnu pomoć u Srbiji. Beograd: World Bank & UNICEF.

<sup>31</sup> European Commission – Serbia Report 2022.

decrease in the total population.<sup>32</sup> According to the report of the Republic Institute for Social Protection, the number of beneficiaries of financial social assistance in 2022 was 10.5% lower compared to the previous year.<sup>33</sup> The latest available data on children in the social welfare system also indicate a significant decrease in the number of beneficiaries of financial social assistance, which decreased by 10.2% in the period from 2012 to 2021.<sup>34</sup> There is also a noticeable decrease in the number of children receiving child benefits - in 2022, the rate of children receiving child benefits was significantly below the ten-year average (131.5 thousand children compared to 250.1 thousand), which represents a decrease of 37.7% compared to 2013.<sup>35</sup> According to the assessment of the Republic Institute for Social Protection, the trend of reducing the rate of children receiving financial social assistance and child allowance shows that "the social protection system has less coverage of this vulnerable category of children with material support mechanisms because it is not in accordance with and does not follow the trends in the population of children – the number of children from families receiving financial social assistance is decreasing, while at the same time the rate of children at risk of poverty, i.e. material deprivation, remains high."<sup>36</sup>

Chart 4: Number of financial social assistance beneficiaries and number of child allowance beneficiaries (aged 0-17), 2017-2023



<sup>32</sup> World Bank & UNICEF (2022). Pregled javnih rashoda za socijalnu pomoć u Srbiji. Beograd: World Bank & UNICEF.

<sup>33</sup> Republički zavod za socijalnu zaštitu (2023a). Punoletni u sistemu socijalne zaštite u 2022. godini. Beograd: Republički zavod za socijalnu zaštitu.

<sup>34</sup> Republički zavod za socijalnu zaštitu (2023b). Deca u sistemu socijalne zaštite 2022. Beograd: Republički zavod za socijalnu zaštitu.

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

Source: Devinfo database, Statistical Office of the Republic of Serbia

According to a 2022 analysis by the World Bank and UNICEF, less than half of people living in poverty are included in the most important social assistance programs – financial social assistance and child allowance. Also, only 60% of children living in poverty are included in the aforementioned social assistance programs.<sup>37</sup> Insufficient coverage of people living in poverty with social transfers has so far been most often associated with restrictive and sometimes discriminatory criteria for evaluating the benefits of new beneficiaries, as well as with complex administrative procedures.<sup>38</sup> Furthermore, the reasons include a lack of knowledge and information (especially of vulnerable groups, people with low education, rural populations, etc.) about the services and assistance they are entitled to. According to the assessment of the European Commission, means-tested social assistance programs in Serbia, with strict eligibility criteria, do not sufficiently reach the poor. There are notable regional differences in coverage, and many children who live in poverty receive no benefits at all.<sup>39</sup>

One of the factors that contributed to the trend of reducing the number of beneficiaries was the introduction of the Social Card Register, which introduced automation in decision-making in the social protection system and thus “practically prevented numerous beneficiaries from continuing to use social protection rights, even though they are still in need of this kind of support”.<sup>40</sup> The Law on Social Cards, which became operative in Serbia in March 2022, mandated the adoption of a data-driven system.<sup>41</sup> With the introduction of the social card system, decision-making on whether someone has the right to receive social assistance has been completely digitalized. This means that the user will lose the right to social assistance if the algorithm registers income on his/her account that exceeds the amount of social assistance. These incomes are most often the result of various forms of seasonal and informal work (such as collecting secondary raw materials or agricultural work), which, even together with financial social assistance, cannot provide enough resources for the household's existential needs. Certain civil society organizations believe that this law is an aggravating circumstance for the materially deprived population, and they estimate that its application in the coming period will lead to an additional reduction of social assistance beneficiaries, primarily through the exclusion of existing social assistance beneficiaries. It is important to mention that the introduction of an integrated system of social cards is the only structural reform in the field of social protection within the Economic Reform Program.<sup>42</sup>

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<sup>37</sup> World Bank & UNICEF (2022). Pregled javnih rashoda za socijalnu pomoć u Srbiji. Beograd: World Bank & UNICEF.

<sup>38</sup> Arandarenko, M. (2020). Performance of Western Balkan economies regarding the European Pillar of Social Rights: Updated review on Serbia. Vienna: European Centre for Social Welfare Policy and Research.

<sup>39</sup> European Commission – Serbia Report 2023.

<sup>40</sup> A11, Zašto borba protiv siromaštva mora da izgleda drugačije, available at: <https://www.a11initiative.org/zasto-borba-protiv-siromastva-mora-da-izgleda-drugacije/>

<sup>41</sup> Zakon o socijalnoj karti, *Sl. glasnik RS*, br. 14/2021.

<sup>42</sup> Cvejić, S. (2023). Odrednice i ishodi dečijeg siromaštva u Srbiji, Monitoring socijalne situacije u Srbiji - MONS.



## II. Inadequacy of the amount of the cash benefits

The adequacy of social benefits intended to reduce poverty is analyzed concerning the possibility of providing them to meet basic needs, that is, from the aspect of whether they enable an exit from poverty and a minimum standard of living.<sup>43</sup>

The adequacy of the amount of these cash benefits is highlighted as a significant issue in Serbia. For example, financial social assistance for a four-member family (parents and two minor children), according to data from April 2024, amounts to 24,515 dinars (209 EUR),<sup>44</sup> which is about 50% of the minimum wage in Serbia. This benefit accounted for around 40% of the minimal basket and was far below the at-risk-of-poverty threshold of 60% of the median income.<sup>45</sup> For comparison, the at-risk-of-poverty threshold (60% of the median equivalent disposable income) for a household with two adults and two children under 14 is 55,668 dinars per month (476 EUR).<sup>46</sup> This suggests that the amount received by such a household is less than half of what is needed to get above the at-risk-of-poverty threshold. According to some research, only those recipients who exercise their right to increased benefits – such as single-parent households – have cumulative amounts of financial social assistance and child allowance that exceed the absolute poverty and at-risk-of-poverty threshold.<sup>47</sup>

The reason for the low coverage and inadequacy of benefits is the very low administrative poverty line compared to the absolute and relative poverty lines.<sup>48</sup> According to the latest data, in the period 2012–2018, the administrative poverty threshold was one-third lower than the absolute poverty threshold, meaning that a person who has exercised their right to social assistance cannot meet their basic existential needs and must receive double the amount of social assistance to reach the relative poverty line.<sup>49</sup>

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<sup>43</sup> Matković, G. (2020). Istraživanje o mehanizmima za uključivanje u formalno tržište rada korisnika novčane socijalne pomoći. Beograd: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH.

<sup>44</sup> Rešenje o nominalnim iznosima novčane socijalne pomoći. Available at: <https://www.paragraf.rs/propisi/resenje-o-nominalnim-iznosima-novcane-socijalne-pomoci.html>

<sup>45</sup> European Commission – Serbia Report 2023.

<sup>46</sup> Statistical Office of the Republic of Serbia – At-risk-of-poverty threshold, available at: <https://data.stat.gov.rs/Home/Result/01020503?languageCode=sr-Latn>

<sup>47</sup> Centar za socijalnu politiku. (2018). Sprečavanje ranog napuštanja obrazovanja. Centar za socijalnu politiku: Beograd.

<sup>48</sup> Bradaš, S. (2021). Socijalne karte – bezizlaz iz siromaštva.

<sup>49</sup> *Ibid.*

## Shortcomings of provision of social services

When it comes to the provision of social services in Serbia, a significant challenge is caring for the elderly who have no entitlements under pension insurance and who, primarily on the grounds of the assets test, are not covered by the financial social assistance scheme either.

**The first group of challenges comprises enhancing support to biological families to prevent the separation of children, continuing the deinstitutionalization process, and developing community-based services.** The share of vulnerable groups, in particular children, in residential care institutions is not high in Serbia. Most children and youth, nearly 90%, are placed in foster care (kinship and non-kinship foster care). However, among children with disabilities (approximately 1,000), the share of those in institutional care remains somewhat higher (54.6%); despite certain improvements, the conditions in residential care institutions are unsatisfactory, with a modest offer of rehabilitation and stimulation programs. Strengthening mechanisms and programs for support to biological families and further development of foster care for children with disability are the main challenges in this sphere, in both the short and medium term. Concerning support to the biological families of children with disability, there is a strong need to expand community-based services, in particular those supporting inclusion in the mainstream education system. The living conditions of adults with intellectual and mental health difficulties (approximately 5,400 residents) are satisfactory in most institutions; however, further efforts are required towards their improvement, as well as towards the development of alternative non-institutional forms of care. Supportive housing for PWD is still emerging in Serbia; this service is provided to only about 50 clients in the largest cities and, in the short term, the challenge lies in launching support programs for local governments to introduce supportive housing services for persons with disabilities, as a prerequisite for continuing the deinstitutionalization process. The challenge in the medium term is the deinstitutionalization and integration of persons with intellectual or mental health difficulties in the community, which requires defining integrated cross-cutting services. In the short term, introducing earmarked transfers to less developed municipalities to establish and increase the availability of community-based services remains an important prerequisite both for preventing institutionalization and for support to biological families, especially concerning children with disability and the elderly. In the medium term, another challenge is the provision of both funding and professionals needed to expand and develop many community-based services, such as personal assistance, children's personal attendants, supportive housing for young people leaving the care system, and shelters for domestic violence and trafficking victims.

**The second group of challenges comprises segmentation of long-term care, the absence of a link between cash benefits and services, and insufficient availability of long-term care services.** A part of the long-term care services in Serbia is provided through cash benefits, a part through institutional care and home care services at the local level, while a part is only being established within the health care system. Long-term care cash benefits are partly disbursed by the social protection system, and partly by the pension and disability insurance system, and are intended for clients who are unable to perform activities of daily living independently, regardless of their financial situation. The increased

attendance allowance, of approximately 217 EUR per month, granted to persons with the most severe disabilities, exceeds the net minimum wage level by 27%. In relative terms, the amount of this entitlement can be assessed as adequate, even comparatively. In the coming period, the rationale for the entitlement to attendance allowance within the social protection system and the entitlement to attendance allowance within the pension and disability insurance system will be reviewed, and the possibility of access to this entitlement within a single system or keeping consolidated records of all attendance allowance recipients will be considered. It is also important to put efforts into the provision of information on entitlements and assistance in submitting applications. Community-based long-term care services, mainly providing support for instrumental activities of daily living, are still not sufficiently developed or available, while palliative care is primarily available within residential care, and its introduction into the health care system is in its early stages. About 15.5 thousand people aged over 65 (1.2% of the total elderly population) used home care services in recent years, and over 7 thousand (0.6%) availed themselves of residential care services provided by the public sector. In the context of an aging population, increased life expectancy of the 65+ age group, and further changes to family models, the demand for these services is expected to increase substantially. Another challenge lies in linking benefits to the relevant services, and in particular defining the network of social and health care institutions envisaged by the Social Protection Law, which is particularly important for long-term care clients, as well as persons with mental health difficulties.<sup>50</sup>

In Serbia, the key actors who provide help and support to people who need long-term care are informal caregivers. The services are provided by the public sector (whether from the social protection system or the health system), private service providers, or providers from the sector of civil society; they are minimally represented. Nearly every tenth of those in need of long-term care are left to fend for themselves without any support, according to research done on a sample of people over 65 in Serbia.<sup>51</sup>

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<sup>50</sup> Government of the Republic of Serbia. 2016. Employment and Social Reform Programme in the Process of Accession to the European Union.

<sup>51</sup> Babović, M., et al. (2022). Pristup uslugama dugotrajne nege u Srbiji. Red Cross Serbia.

## Recommendations

- Adoption of integrated and coherent anti-poverty policy and improvement of social inclusion, since only in that way can issues of reducing poverty and improving social inclusion of different groups be systematically assessed, which are characterized by various forms of vulnerability, specific risks of poverty and for whom it is needed to define more adequate intervention measures. To that effect, EAPN–Serbia stands for the following:
  - Adoption of the National strategy for combating poverty.
  - Connecting the objectives of this strategy with appropriate sector strategies whose implementation is important for exercising the Agenda for sustainable development to 2030 and especially the Sustainable Development Objective 1: The world without poverty.
- Reform of the tax system and social transfers would enable taxes and social transfers to have greater redistributive potential. Greater efficiency in the distribution of taxes on social transfers would reduce inequalities and lead to a fairer society.
- It is recommended to increase coverage of social assistance programs that target persons living in poverty so that the benefits reach households below the absolute poverty line.
- Define, i.e. more effective implementation of measures for increasing work dignity, ensure funds for their realization, and independent implementation monitoring.
- Further work on decreasing gender differences in education, employment and decision-making, as well as in the care economy; further work on elimination of gender-based violence and equal development of boys and girls.
- Inclusion of civil society organizations, representatives of vulnerable social groups and persons who have experienced poverty in defining and implementing of measures for reducing poverty and social exclusion.

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