



ESPN Thematic Report on retirement regimes for workers in arduous or hazardous jobs

Serbia

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Summary/Highlights

In Serbia issues related to arduous and/or hazardous jobs are regulated by national legislation, through the Labour Law, the Law on Pensions and Disability Insurance, and the 'Rules on the workplaces and jobs that qualify workers for the extension of the insurance period'. The methodology used to determine the inclusion and classification of these jobs on the official list takes into account all the factors that might contribute to health risks, and also the factors that affect physical performance. The latter relate mainly to age-restricted jobs, whose nature is such that a satisfactory performance level cannot be maintained after a certain age (such as ballet dancers and opera singers). The list is revised every ten years. A nomination for inclusion on the list can be made by the relevant ministry or a company. The list is very extensive, but the majority of jobs/workplaces are in the mining and manufacturing industries. The jobs concerned are assigned an extension to their reckonable insurance period of either two, three, four and six months. Only six jobs are eligible for the six-month extension, and the number of jobs listed for the four-month extension is also minimal.

The most recent amendments to the relevant legislation, introduced in 2014, tightened the early-retirement conditions for workers in arduous and/or hazardous jobs (hereafter WAHJ), and are applicable from January 1st 2016. Early retirement at 54 years and 4 months is allowed if a worker has spent two-thirds of their employment in a job listed as arduous and/or hazardous. An exception has been made for jobs that attract the largest insurance period extension (six months), for which retirement is allowed at 50. Levels of compulsory pension contributions for WAHJ are higher than the regular one of 26% (between 27.7% and 35%, according to the degree of insurance period extension).

Official figures for the number of active WAHJ seem to be an underestimate when compared with employment data for the industrial subsectors that include the majority of jobs listed as hazardous and/or arduous. Since data on the number of active WAHJ come only from the Pension and Disability Fund (hereafter the PIO Fund), and because a significant number of companies that employ WAHJ currently evade or delay social security contribution payments, it is reasonable to assume that a number of WAHJ have been omitted from the PIO Fund register at some points during the periods observed in this report.

The available data from the PIO Fund, based on current contribution payments, show that the number of WAHJ was decreasing during the 2010-2013 period, so that in 2013 WAHJ accounted for 3.68% of the total labour force. In December 2014 there were 127,638 pensioners who had retired under the WAHJ scheme (23% female pensioners), representing 7.3% of the total number of pensioners. The average pension paid to WAHJ in December 2014 was low compared with the average wage, but somewhat better (22.7% higher) than the national average pension. Out of all retired WAHJ, 22% had retired as disability pensioners, representing a rather low (10.6%) share of all disability pensioners. The majority of WAHJ stay in employment for longer than the period necessary for attaining the old-age pension (35 years), due to the conditions related to the statutory pensionable age and also in order to secure a higher family income.

There are no labour market policy measures that target WAHJ, primarily due to the high unemployment that has been present for more than a decade; in 2011 unemployment rates reached 22.2% and only gradually decreased thereafter to 19.0% in the first quarter of 2016 (15+ population)¹. The main issue relevant to WAHJ is the restructuring of the public companies in which most of them work: due to negative business results these companies have accumulated large debts in respect of social security contribution payments, which negatively affects WAHJ retirement rights.

¹ Republic Statistics Office (RSO), 2016, Announcement 141, Labour Force Survey, 1st Quarter 2016.

1 Overall description of the policy mix targeted at workers in arduous or hazardous jobs

In Serbia, employment in jobs and/or workplaces that are considered arduous or hazardous is regulated under national legislation. The main normative act is the 'Rules on the workplaces and jobs that qualify workers for the extension of the insurance period'² (hereafter the Rules). The Rules define:

- Workplaces and jobs considered to be particularly hazardous for health (even though all safety measures are applied).
- Workplaces and jobs with age-restricted conditions.
- Levels of insurance period extensions approved for each job.
- The methodology for the definition, classification and revision of the workplaces/jobs concerned.

The Rules list (by industry sub-sector and by reference to the National Classification of Occupations) all those workplaces/jobs that are treated as having specific working conditions (work underwater, severe cold weather conditions, etc.) as well as those professions that are considered eligible to be treated as age-restricted jobs. According to the particular job, an extended insurance period is assigned of either two, three, four or six months. The list is very extensive, twenty pages long, with most WAHJ being found in mining/quarrying and manufacturing industry. Age-restricted jobs are defined as the following professions: pilots (with a specified number of flights per year), sky-diving instructors, ballet dancers, professional dancers employed in folk dancing ensembles (with at least 30 performances per year) and opera singers (soloists).

The Rules outline the methodology used to determine and classify the relevant jobs/posts. The determination is based on a detailed description of: working conditions, production technology, physical and mental activities required at work, exposure to hazardous substances, potential dangers, and applicable safety measures. All jobs listed must be reviewed every ten years by the relevant ministry.

The number of WAHJ in 2013 was 49,285, which was 3.68% of the total workforce. Both the absolute number and the share of the total labour force fell over the period 2010-2013 (Table 1). Most WAHJ are employed in jobs that attract the smallest insurance period extension (two months per year), and the number of these declined substantially over the observed period (in absolute terms by 8,930, and from 73.7% to 69% of all WAHJ) (Table 1). The proportion of WAHJ in jobs that attract the largest insurance period extension (six months per year) was the lowest during the whole observed period; in 2013 it was 5.3%. The majority of WAHJ entitled to this level of extension are employed in the mining industry, and their number fluctuated significantly due to the business difficulties of the industry in Serbia.

² RS Official Gazette 50/2012.

Table 1. Number of workers in arduous or hazardous jobs in Serbia, 2010-13

Extension of insurance period (additional months per year)	2010	2011	2012	2013
12/14	42,996	37,666	33,468	34,066
12/15	8,595	9,429	9,270	9,190
12/16	3,981	3,418	3,450	3,422
12/18	2,719	1,303	1,318	2,607
Total	58,291	51,816	47,506	49,285
Share of total workforce (%)	4.29	3.86	3.50	3.68

Source: Unpublished data from the PIO Fund. Data on the workforce: RSO, 2016, Statistical calendar 2015.

According to the available data from the PIO Fund, WAHJ represented a small percentage of the total labour force during the observed period, in the range 4.29% to 3.50%. Given that mining and manufacturing industries accounted for 23.1% of the total labour force in 2013³, the overall number of WAHJ seems to be an underestimate, since these two industries have been employing majority of WAHJ. One possible explanation for this discrepancy is that a number of public companies from these industries have been under reconstruction and are not able to fulfil their obligations to the PIO Fund, with the result that their employees are not included on the PIO Fund WAHJ list.

Under current legislation, workers entitled to the six-month insurance period extension can reach full pensionable years of service (35 years) after 20 years of service if they stay at the same job. The legislation determines a lower statutory pensionable age for this category of WAHJ, which is 50 years, meaning that a worker who entered the labour market at an early age can accomplish the full required years of service before the age they are entitled to receive a pension. As was noted earlier, the majority of these workers are employed in the mining industry, and they usually remain at the same job post during their entire employment period. The evidence shows that many miners continue to work after reaching 35 years of service, in order to secure further income between then and the statutory pensionable age⁴. In 2010, the Association of Independent Trade Unions (*Udruženje Nezavisnih Sindikata*) initiated a proposal for a reduction in the statutory pensionable age for miners, from 50 to 40, due to the difficult working conditions in the majority of mining sites in Serbia. However, their proposal was not taken into consideration by the relevant authorities.

There are no policy measures concerning end-of-career options related to WAHJ. High unemployment and high long-term unemployment have been one of the constant major weaknesses of the Serbian economy for more than a decade; in 2014 the unemployment rate (for the 15-64 age group) was 18.4%, while 67% of unemployed people have been unemployed for more than a year⁵. Ongoing employment programmes prioritize young people, redundant workers, older unemployed people and long-term unemployed people.

³ RSO, 2016, Statistical Yearbook 2015.

⁴ National magazine 'Penzin' <http://www.penzin.rs/kada-rudari-sticu-pravo-na-penziju/>, assessed on May 10th 2016.

⁵ RSO, 2014, Labour Force Survey, 3rd quarter 2014.

2 Pension rules for workers in arduous or hazardous jobs

In Serbia the public pension and disability insurance system is based on the mandatory pay-as-you-go (PAYG) funding schemes. The compulsory contribution rate has been raised repeatedly, from 19.3% in 2001 to 26%⁶ in 2014. Since 2003 pensions have been calculated using a points system, with the pension benefit level determined by multiplying the number of personal points by the general point value on the day of retiring. The minimum pension is determined at the level of 27% of the average wage, while the maximum cannot exceed 3.8 times the average. The retirement age for men is 65, while a phased-in equalization of the retirement age for women (to be completed by 2032) was introduced in 2014. Private voluntary insurance is still underdeveloped in Serbia: in the last quarter of 2015 only 2.7% of the population were registered as beneficiaries of voluntary pension funds⁷, and data on the participation of WAHJ in these funds are not available.

The right to acquire advantageous accrued benefits is defined within the Law on Pension and Disability Insurance⁸, while the Rules outline the levels of insurance period extension assigned to all the listed jobs/workplaces. The largest insurance period extension (of six months per year) is assigned to only six jobs/occupations: professional scuba divers who work at underwater construction sites, pilots, professional sky-diving instructors, ballet dancers and two workplaces in the mining industry (coal and ore mining). The listed number of jobs with a four-month insurance period extension is rather negligible: this is generally assigned to jobs that are very labour-intensive and hazardous to health.

Pension contributions for WAHJ are higher than the regular pension contribution (which was 26% in 2016). The higher rates are defined within the Law on Social Insurance Contributions⁹, and are related to the level of extended insurance (Table 2).

Table 2. Increments in contribution payments for extended insurance periods, 2016

Extension of insurance period (additional months per year)	Contribution rate
12/14	27.7% (+3.7%)
12/15	29.5% (+5.5%)
12/16	31.3% (+7.3%)
12/18	35% (+11%)
Regular contributions	26%

Source: Law on Social Insurance Contributions, 2016.

In 2016, statutory pensionable age was 65 for men and 61 for women, while early retirement is allowed for workers who have spent at least two-thirds of their employment as a WAHJ. The latter is a new and more rigorous condition compared with the previous one of a minimum ten years employment as a WAHJ. The admissible early-retirement age for WAHJ is calculated according to the formula presented in Table 3. WAHJ cannot retire before 55 years of age; an exception is made only for workers entitled to a six-month insurance period extension, who can retire at 50 (the same conditions apply for men and women).

⁶ For contributors entitled to additional years of service, employers are obliged to pay additional contributions.

⁷ National Bank of Serbia, 2016, Voluntary Pension Funds Sector, Report for the fourth quarter of 2015.

⁸ RS Official Gazette 75/2014.

⁹ RS Official Gazette, 5/2016.

Table 3. Formula for calculating early-retirement age for WAHJ, 2014

Extension of insurance period (additional months per year)	Decrease of one year in retirement age relative to years of service spent in a privileged category
12/14	For every 5 years spent at work
12/15	4 years
12/16	3 years
12/18	1.6 years

Source: *Law on Pension and Disability Insurance, 2016.*

3 Retirement patterns and retirement income of workers in arduous or hazardous jobs

In December 2014 there were 127,638 pensioners who had retired under the WAHJ scheme (23% female), representing 7.3% of the total number of pensioners¹⁰. The total number of pensioners who had retired either under the WAHJ scheme or under the special conditions relating to army and police personnel was 177 307 with the following structure: WAHJ pensioners – 72%, police employees – 13.4%, and army personnel – 14.6%. The data used for this analysis, presented in the Annex, Table 1, include 23 799 employees from the police force who have retired under special conditions regulated by the Ministry of Internal Affairs; since their share is only 20% we can assume that the observed patterns of employment of WAHJ are not highly influenced by the inclusion of this group.

On average, WAHJ had 32 years of effective employment (i.e. full years of pensionable service), which is close to the average for all pensioners (34), meaning that WAHJ spent almost the same time in employment as other workers, even though they were entitled to advantageous accrued benefits (Annex, Table 1). This is also confirmed by data on calculated years of service (i.e. including extensions); the average for all WAHJ was 47 years (48 for men). Almost one-third (31.3%) of male WAHJ had worked 35 effective years, while 45% had 33 effective years. It can be concluded that WAHJ stay in employment for longer than the time necessary to accomplish the statutory full years of service.

One of the main reasons that WAHJ often stay in the labour market after the retirement conditions have been met is pension's inadequacy; in the last ten years the national average pension as a proportion of the average wage has been decreasing constantly, reaching 54% in 2014. The average pension for WAHJ in December 2014 was EUR 261.7, which was 22.7% higher than the average pension of EUR 213.2. Although WAHJ had accrued much higher benefits than the average pensioner, their pensions did not reflect this. The majority of jobs from the list outlined in the Rules require lower educational attainment or lower qualifications; consequently, their wages are lower and in turn their pensions are pushed closer to the national average. It is not possible to analyse and compare pension values adequately, since a number of companies, which employ the majority of WAHJ, had fluctuating business results in the last decade, which is reflected in the level of WAHJ wages and pensions. Informal employment rates are high in Serbia; in the last quarter of 2014 the informal employment rate was 23.2%¹¹, and although there are no available data by sector, it is reasonable to assume that some WAHJ are engaged in the informal labour market.

¹⁰ PIO Fund, Annual Statistical Bulletin 2015.

¹¹ RSO, 2015, The Labour Force Survey, the Revised Data for 2014.

Of all retired WAHJ as at December 2014, 22% were disability pensioners, while their share of the total number of disability pensioners was rather low, at 10.6%. On average, these pensioners had 25 years of effective service, which was one year more than the average for all disability pensioners, and their average calculated years of service (after extensions) shows that the full required years of service had been reached (35 years).

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Annex

Table 1. Number of pensioners* retired under the advantageous accrued benefits scheme in Serbia, 31.12.2014

Extension of accrued benefits (additional months per year)	Gender	Number of pensioners	Calculated years of service	Effective years of service	Average pension in €
All old age	Male	96,020	48	33	276.33
	Female	22,043	41	29	198.05
	Total	118,063	47	32	261.71
12/14	M	30,078	50	35	259.66
	T	44,767	47	33	229.93
12/15	M	19,483	46	33	250.66
	T	23,005	46	33	245.81
12/16	M	19,250	47	29	347.45
	T	21,938	46	29	344.79
12/18	M	3,533	43	29	257.32
	T	3,618	43	28	256.93
More than one	M	23,676	50	33	263.64
	T	24,735	50	32	261.05
Disability retirement	M	26,667	36	25	225.18
	T	33,374	35	25	214.24
ALL	T	151,437			

*Table includes data for police personnel.

Sources: PIO Fund, 2016; unpublished data prepared for this report; Annual Statistical Bulletin 2015.

