



EUROPEAN SOCIAL POLICY NETWORK (ESPN)

Assessment of pension adequacy

Serbia

Ljiljana Pejin Stokic and Jurij Bajec



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion

Directorate C — Social Affairs

Unit C.2 — Modernisation of social protection systems

Contact: Giulia Pagliani

E-mail: Giulia.PAGLIANI@ec.europa.eu

European Commission

B-1049 Brussels

European Social Policy Network (ESPN)

**ESPN Thematic Report:
Assessment of Pension Adequacy**

Serbia

2021

Ljiljana Pejin Stokic, Economics Institute, Belgrade
Jurij Bajec, Faculty of Economics, University of Belgrade

The European Social Policy Network (ESPN) was established in July 2014 on the initiative of the European Commission to provide high-quality and timely independent information, advice, analysis and expertise on social policy issues in the European Union and neighbouring countries.

The ESPN brings together into a single network the work that used to be carried out by the European Network of Independent Experts on Social Inclusion, the Network for the Analytical Support on the Socio-Economic Impact of Social Protection Reforms (ASISP) and the MISSOC (Mutual Information Systems on Social Protection) secretariat.

The ESPN is managed by the Luxembourg Institute of Socio-Economic Research (LISER) and APPLICA, together with the European Social Observatory (OSE).

For more information on the ESPN, see:

<http://ec.europa.eu/socialmain.jsp?catId=1135&langId=en>

LEGAL NOTICE

The information and views set out in this document are those of the authors and do not necessarily reflect the official opinion of the European Union. Neither the European Union institutions and bodies nor any person acting on their behalf may be held responsible for the use which may be made of the information contained therein. More information on the European Union is available on the Internet (<http://www.europa.eu>).

Manuscript completed in September 2020.

The European Commission is not liable for any consequence stemming from the reuse of this publication. Luxembourg: Publications Office of the European Union, 2021

© European Union, 2021



The reuse policy of European Commission documents is implemented by the Commission Decision 2011/833/EU of 12 December 2011 on the reuse of Commission documents (OJ L 330, 14.12.2011, p. 39). Except otherwise noted, the reuse of this document is authorised under a Creative Commons Attribution 4.0 International (CC-BY 4.0) licence (<https://creativecommons.org/licenses/by/4.0/>). This means that reuse is allowed provided appropriate credit is given and any changes are indicated.

For any use or reproduction of elements that are not owned by the European Union, permission may need to be sought directly from the respective rightholders.

Quoting this report: Ljiljana Pejin Stokic, Jurij Bajec (2021). ESPN Thematic Report on Assessment of Pension Adequacy – Serbia, European Social Policy Network (ESPN), Brussels: European Commission.

CONTENTS

HIGHLIGHTS..... 4

1 GENERAL DESCRIPTION OF THE NATIONAL PENSION SYSTEM..... 4

2 REFORM TRENDS 5

3 ASSESSMENT OF ADEQUACY 7

 3.1 Current adequacy 7

 3.2 Future adequacy 9

 3.3 Challenges for future adequacy 9

 3.4 Solidarity mechanisms 10

4 RECOMMENDATIONS 11

REFERENCES 12

STATISTICAL ANNEX 13

Highlights

- Over the period 2017-2019, pension benefits started to rise and grew continuously in real terms. A temporary reduction in pension benefits came to an end in 2018, as the positive macroeconomic results brought about a removal of the fiscal consolidation measures imposed in 2014. A new Law on Pension and Invalidity Insurance (2019) restored pension indexation using the Swiss formula (suspended in 2014 and reintroduced by the end of 2019). This law came into force on 1 January 2020; however, indexation is applied only once a year.
- Around one third (31.9%) of the older population was at risk of material and social deprivation in 2018, as the risk of poverty and the risk of poverty or social exclusion both remained high, at 21.1% and 30%, respectively. The aggregate replacement ratio was still low in 2018, with a minimal reduction of 3 percentage points (p.p.) compared to 2013. The gap between women and men in terms of pension income was 18.3% in 2018, some 8.3 p.p. lower than in 2013.
- The government was planning to introduce additional measures to improve pension adequacy by 2025; however, implementation will depend on the impact of the COVID-19 pandemic on the Serbian economy. The main challenges to improvements relate to protection of the most vulnerable groups. A high proportion of pension beneficiaries still receive minimum benefits (or even less than minimum benefits), and there is a need for a safety-net mechanism to keep these groups out of poverty.

1 General description of the national pension system

Serbia has two pension schemes: a statutory pension scheme and a voluntary personal private pension scheme. The statutory pension scheme is uniform and mandatory for all employed and self-employed persons, as well as for anyone who generates income from other forms of work. It is a pay-as-you-go defined benefits scheme, financed by compulsory insurance contributions. Any person aged 15 or over may elect to join the statutory insurance scheme, unless he or she is otherwise insured. There are no occupational pension schemes. On 31 December 2019, around a quarter (24.6%) of the Serbian population (1,707,293 persons) were in receipt of pension benefits from the statutory pension scheme (PIO Fund, 2020b).¹ The majority of pension beneficiaries (63.9%) were claiming old-age pensions, while 16.2% had a disability pension and 19.9% were in receipt of a survivor pension (PIO Fund, 2020a).

The second pension scheme, voluntary personal pension insurance, remains underdeveloped in Serbia. It was introduced in 2005 and is regulated by the Law on Voluntary Pension Funds and Pension Plans.² In September 2019, 9.4% of registered employees were participants in this scheme – a proportion that has remained constant over the past three years (National Bank of Serbia, 2020).

The Law on Pension and Disability Insurance regulates statutory pension and disability insurance (2019).³ Insured persons are entitled to pension and disability benefits, and have their funeral costs covered. The Republic Pension and Invalidity Fund (hereafter the PIO Fund) is the sole legal entity responsible for resource management and administration of the statutory obligations and rights. The PIO Fund's revenue comes from the compulsory social insurance contributions, direct transfers from the central budget (in the event of a funding shortfall) and the income generated by assets. The deficit was high during the period of economic crisis, and in 2013 amounted to 40%. As the economy recovered, so the share of social contributions in the PIO Fund's revenue

¹ Based on estimates of the population size. <https://www.stat.gov.rs/oblasti/stanovnistvo/procene-stanovnistva/>

² RS Official Gazette 31/2011.

³ RS Official Gazette 86/2019.

increased; consequently, the deficit fell to 30% in 2017, and by 2019 it was 26.7%. The contribution rate was raised by 2 percentage points (p.p.) during the crisis (2014) and then cut by 0.5 p.p. in 2019; currently it stands at 25.5% (14.5% employees, 11% employers).⁴ The pension benefits are indexed once a year according to the Swiss formula: 50% of inflation and 50% of average wage growth. Pension expenditure as a share of GDP decreased from 12.1% in 2013 to 10.4% in 2018 (i.e. by 1.7 p.p.) (Ministry of Finance, 2020).

The following eligibility conditions for receiving an old-age pension have been applicable from 2020: (1) a minimum of 15 years of service, and 65 years of age for men and 63 years of age for women (with a phased transition to 64 years 10 months by 2031), or (2) 45 years of service. The conditions for early retirement are: 40 years of service and 58 years 4 months of age for men (rising to 60 years by 2023); and 39 years of service and 57 years 8 months of age for women (increasing to 40 years of service and 59 years 6 months of age by 2023). Penalties are imposed for early retirement, with pensions permanently reduced by 0.34% for every month before 65 years of age for men, and before 63 years of age for women (rising to 64 years 10 months by 2023); the annual reduction is 4.08%, up to 20.4%. The maximum duration of insurance contributions is 45 years.⁵

For workers in arduous and/or hazardous jobs (WAHJ), workers in age-restricted positions (e.g. ballet dancers, opera singers) and workers with disabilities, the retirement conditions are different, provided the employment in such a position has lasted 10 years or more (five years for persons with disabilities). The compulsory pension and invalidity insurance contribution rates are higher: from 3.7% to 11%, depending on the extensions of years of service. The WAHJ can retire at 55 years of age, if two thirds of their time in employment have been spent in jobs categorised as arduous or hazardous. For jobs which carry six months extension of the contribution period, retirement is possible at the age of 50. In December 2018, 13.3% of all pensioners were retired WAHJ (PIO Fund, 2020a).

The retirement conditions for the self-employed and persons in non-standard employment are the same as for other employees. Self-employed entrepreneurs who are not registered as salaried employees pay contributions on the basis of their taxable lump-sum income. Entrepreneurs who choose this option may be in a position to pay lower social insurance contributions, since their taxable base may underestimate their actual income, especially if they are in a high-earning profession, e.g. lawyers or physicians; but as a consequence their pension benefits will be lower. Another issue relates to persons working in the platform economy, mainly for foreign employers, who avoid registering with the central register of compulsory social insurance and so avoid paying social insurance contributions.

Pensioners who retire with an old-age pension are entitled to work on an employment contract, while pensioners who receive a disability or survivor pension cannot be employed, but may be engaged under different types of contracts.

2 Reform trends

In 2003, a new Law on Pension and Invalidity Insurance was adopted.⁶ It revised the formula for calculating pension benefits, expanded the coverage of the statutory scheme to all persons who generate income from any gainful activity, and introduced the voluntary pension scheme. In the following years, a number of parametric changes were

⁴ RS Official Gazette 5/2020.

⁵ A person may work longer and is obliged to pay social insurance contributions; however, this period will not be included in the calculation of pension benefits.

⁶ RS Official Gazette 34/2003.

implemented. The major changes were adopted in 2014: (1) a phased-in equalisation of the retirement age for women, to 64 years 10 months by 2031, (2) the introduction of penalties for early retirement, and (3) a tightening of the conditions governing the classification of WAHJ jobs.⁷ In August 2014, the compulsory pension contribution rate was increased from 24% to 26%.⁸

The method of indexing pension benefits has been altered several times. From 2003 until 2005, pensions were indexed quarterly using the Swiss formula.⁹ From 2005 to 2010, indexation occurred twice a year and was tied to consumer price growth. From 2010 to 2014, an additional adjustment was introduced in relation to GDP growth (if GDP growth was higher than 4%). From 2014 to 2019, this method was suspended and a linear increase in pensions was introduced (1.5%). At the end of 2019, the Swiss formula was reintroduced, coming into force on 1 January 2020. However, indexation is applied only once a year, on 1 January, and is based on the growth in the parameters over the 12 months up to the previous June.

The minimum pension benefits for employees and the self-employed has been calculated as a percentage of the annual average net wage in the previous year: 20% in 2003-2005 and 25% from 2006 to 2010. From 2011 to the present day, the ratio of the minimum pension to the average net wage is associated with the percentage applied in the previous year: it must be 1 percentage point higher. The minimum pension benefit for farmers is set as a fixed sum. The ceiling of the maximum pension has also undergone some alteration: the maximum value of the personal coefficient has decreased from 5 (2005) to 3.8 (from 2011 to the present).

In October 2014, the government introduced temporary fiscal consolidation measures, in order to reduce the high budget deficit and stem rising public debt. The measures included a cut in the wages of public employees and a reduction in pensions. The Law on Temporary Changes to Pension Payments was applicable from 1 November 2014.¹⁰ It imposed a progressive reduction on above-average pensions; in 2014, 61.2% of all pensioners received pensions below the average. The pension indexation, which was based on consumer price growth, was suspended until pension expenditure fell to 11% of GDP. In 2016, the government introduced a linear (1.5%) increase in all pensions, to be applied in 2016 and 2017, with a 5% increase in 2018.¹¹ The temporary changes to pension payments were abandoned at the end of 2018 (applicable from 1 January 2019).¹² The new Law on Pension and Invalidity Insurance, adopted at the end of 2019, reintroduced indexation according to the Swiss formula from 1 January 2020.¹³

At the beginning of 2020, the positive macroeconomic trend witnessed in the second half of 2019 prompted a policy debate on improving pension adequacy; however, this came just before the COVID-19 pandemic struck. In January, state officials announced an additional correction to pension indexation, in order to ensure faster pension growth by 2025.¹⁴ Similar proposals had previously been put forward by non-governmental organisations and academics – for example, the Serbian Association of Pensioners had suggested several approaches to improve the current indexation formula (SAPENS, 2019). Their proposal to index pensions by 50% of inflation growth and 50% of GDP

⁷ RS Official Gazette 75/14.

⁸ RS Official Gazette 57/2014, Law on Compulsory Social Insurance Contributions.

⁹ Formula comprises 50% of the increase in the national consumer price index and 50% of the average wage growth during the previous calendar year.

¹⁰ RS Official Gazette 116/2014.

¹¹ RS Government (2015).

¹² RS Official Gazette 73/2018.

¹³ RS Official Gazette 86/2019.

¹⁴ <https://www.danas.rs/ekonomija/vucic-najavio-korigovanje-svaicarske-formule-za-uskladjivanje-penzija/>

growth has been supported by the majority of local associations of pensioners. Another proposed measure is to link pension growth to the share of pension expenditure in GDP.

The implemented parametric reforms had the effect of raising the average age of new old-age pension beneficiaries by three years for women and by one year for men over the period 2013-2019 (PIO Fund, 2020a).

3 Assessment of adequacy

The indicators are presented in Section 5, Statistical Annex.

3.1 Current adequacy

Over the period 2014-2017, pension benefits experienced negative year-on-year growth (in real terms, annual average); a positive shift began in 2018, with a 3.2% growth rate, followed by 1.2% growth in 2019 (Ministry of Finance, 2020). The positive change was brought on by an increase in nominal benefits, and to some extent by changes in the structure of pension beneficiaries, as the share of pensioners on the lowest benefits fell over this period: in particular, average disability benefits are lower than old-age benefits (13% lower in 2019), but the share of pensioners claiming disability benefits decreased by 0.8 p.p. over the period 2017-2019. Over the same period, the share of farmer pensioners also decreased by 0.4 p.p., and their average benefit was less than half (42.7%) the national average pension in 2019 (PIO Fund, 2020a). In 2019, the annual average pension benefit was €224.20 (26,343 Serbian dinar – RSD) and the ratio of average pension to average wage was 48% (with large variations across the three categories of workers: the ratio for employees was 51%, for the self-employed – 47%, and for farmers – 21%).

The aggregate replacement ratio (ARR) (65-74) was still low in 2018, and had even fallen slightly (by 3 p.p.) since 2013. The ratio was 46%, 12 p.p. lower than the EU-27 average (58%), with 7 p.p. difference between men and women (49% and 42%, respectively). On the other hand, the relative median income ratio (65+) is more favourable – most probably this was an effect of the low median income of employees, due to the slow growth in wages over the period 2013-2018. In 2018, the ratio was 102% (11 p.p. above the EU-27 average of 91%), with a gender difference of 13 p.p. in favour of male pensioners.

The inequality of income distribution – income quintile share ratio (S80/S20) for the population aged 65+ was relatively high, at 5.78 in 2018 (1.58 higher than the EU-27 average). The ratio is slightly less positive for women (5.81) than for men (5.25). Over the period 2013-2018, there was a small improvement of 0.58. The inequality of income distribution was much less apparent among the older population (65+) than in the population from the age cohort 0-64: in 2018, the relative income quintile share ratio (S80/S20) (65+ minus 0-64) was -4.11 – much higher than the EU-27 average of -1.15; the figure was much more pronounced for men (-6.22) than for women (-2.78) (RSO, 2019).

The overall risk of poverty or social exclusion (AROPE) for older persons (65+) was consistently lower than for the overall population throughout the observed period 2013-2018. In 2018, the AROPE rate was 30%, 4.3 p.p. lower than for the total population (34.3%) (RSO, 2019). It was much higher (11.6 p.p.) than the EU-27 average (18.4%), even though it fell by 5.7 p.p. over the period. Older women in 2018 were at higher risk (an AROPE rate of 33.8%) than men (24.9%). The same relationship holds for the at-risk-of-poverty (AROP) rate, as the older population had a lower risk (21.1%) than the overall population (24.3%). At 5.6 p.p., the difference between the Serbian AROP rate and the EU-27 average (15.5%) is smaller than the corresponding difference in the AROPE rate. The gender discrepancy is in favour of men: at 16.9%, they have a rate 7.4 p.p. lower than women (24.3%). The risk of poverty increased over the period by 1.7 p.p. for men and 1 p.p. for women. Changing the poverty threshold to 50% would reduce

the proportion of the older population at risk of poverty by almost a third (AROP rate of 13.4%), while changing it to 70% would increase this proportion by around a quarter (26.2%). In 2018, recipients of pension benefits were at lower risk of poverty than the whole older population (65+), as their AROP rate was 4 p.p. lower (17.1%) than the rate for persons aged 65+. Severe material deprivation (SMD) (65+) decreased over the observed period (2014/18) by 9.1 p.p., but was still high in 2018, at 17.8% – 13.1 p.p. higher than the EU-27 average (4.7 %). The gender discrepancy is prominent: 20.3% of older women faced severe material deprivation – 6.0 p.p. more than men (14.3%).

In 2018, the intensity of poverty – expressed by the relative median at-risk-of-poverty gap (65+) – was 21.1%, 4.2 p.p. higher than the EU-27 average (16.9%). Among women, median disposable income was much lower (7.4 p.p.) than among men. The intensity of poverty increased over the period 2013-2018 by 1.6 p.p. for men and 1.8 p.p. for women (1.6 p.p. overall). The guaranteed minimum pension did not substantially protect pension beneficiaries from poverty: in 2018, the minimum pension for employees and the self-employed was 14% lower than the poverty threshold for a single person, and the guaranteed minimum for farmer pensioners was 33% lower.

A high proportion of the population faced material and social deprivation over the period 2014-2018. In 2014, almost half of the population (44.6%) were affected, and over the next three years this proportion decreased by 14.2 p.p. (30.4%). The older population (65+) was also equally affected, but in lower degree at 34.5% in 2018, falling by 11 p.p. over the period. The gender differences are rather high, at 30.6% for men and 37.4% for women. The proportion of deprivation in Serbia in 2018 was much higher than the EU-27 average (21.6 p.p.).

The gender gaps are more evident in pension income than in non-coverage rates (65-79). In 2018, the gender gap in pension income was 18.3%, 8.3 p.p. lower than in 2013 and 11.4 p.p. lower than the EU-27 average (29.7%). The gender gap in the non-coverage rate (W-M) was not so high: in 2018, it was 2.9 p.p., lower than the EU-27 average of 6.2 p.p.; however, the gap increased over the period by 1.9 p.p..

In 2018, the employment rate among persons aged 55-64 was 46.5%, 11.3 p.p. lower than the EU-27 average of 57.8%. The gender gap was wide: the employment rate among men was 57.2%, 20.5 p.p. higher than among women. The rates for both genders increased over the observed period by 12 p.p.

The housing situation of persons aged 65+ is in general satisfactory: the majority of residents in Serbia (87.6%) own their accommodation (RSO, Census 2011). The share of the population aged 65+ living in overcrowded households is considerable – 38.5%. This could be a result of the continuing situation whereby several generations share the same housing unit, as the younger generation cannot afford a living place of their own. In 2013, a fifth (20.8%) of this age group experienced housing cost overburden; by 2018, this figure had increased to 27.6%, almost three times the EU-27 average (9.8%). This increase can be partly attributed to the fact that a number of older persons continue to live in spacious, high-cost apartments, even after the family size is reduced.

The older population is entitled to additional social services and benefits. Under the provisions of the Health Care Law, persons aged 65 or over are exempt from payments for healthcare services in state healthcare institutions.¹⁵ It is questionable if this regulation is properly enforced, as a high proportion of the elderly (13.9%) self-reported having unmet healthcare needs in 2018 – up 4.5 p.p. since 2013.

The average retirement duration for old-age beneficiaries was 18 years (17 years for men, 20 years for women) and for disability pensions slightly higher at 20 years (PIO Fund, 2020a).

¹⁵ RS Official Gazette, 93/2014.

Entitlement to long-term care (LTC) cash benefits is not means tested, and consequently all pensioners are eligible for LTC cash benefits, subject to disability conditions. Entitlement to the coverage of costs for residential care (in public institutions) is conditional on personal income, with beneficiaries on lower income entitled to full or partial coverage. In 2018, 11% of beneficiaries received full reimbursement of their costs; 14% enjoyed partial coverage (participation) of their costs; and 75% paid the full costs (out of pocket). Day-care services offered by public providers are commonly free of charge; low-income beneficiaries have priority for this service.

3.2 Future adequacy

There are no national studies on the changes announced to pension indexing (see Section 2). The Ministry of Finance has estimated that by 2025 the average pension should be €440, which is almost double the average in January 2020 of €236.20 (RSD 27,754).¹⁶ It is questionable whether the present low adequacy will improve for the majority of beneficiaries. In 2019, 59% of pensioners received less than the average benefit – a result of low wages during the 1990s, a short employment history due to the economic transition period, and a high level of redundancy in state companies. These negative effects will subside in future, but the continuing practice of employers evading the payment of contributions by reporting only a minimum wage will reduce the pension benefits of those employees affected. The persistent informal economy will also have a negative effect: although this has declined slightly over the past three years, it is still high (18.2% of employment rate). The unresolved low coverage of workers in non-standard jobs will also reduce the pension benefits of those affected.

Indexation of the guaranteed minimum pension does not follow the Swiss formula, and the adequacy of the benefit has also to be reconsidered. On average over the period 2013-2018, the guaranteed minimum was around half of the average pension benefit.

3.3 Challenges for future adequacy

The main challenge remains the sustainability of the PIO Fund's revenue, even though the revenue from insurance contributions has been increasing constantly. In 2013, mandatory contributions accounted for 58.4% of the PIO Fund's revenue, whereas in 2019 the figure had increased by 14.9 p.p. (73.3%), and projections for 2022 anticipate a further increase to 80% (RS Government, 2019a). However, this depends largely on the macroeconomic situation. The 'Revised Fiscal Strategy for 2020 with Projections for 2021 and 2022' forecast GDP growth for the period 2020-2022 of 4% annually; a budget deficit of 0.5% of GDP; a decline in public debt from 51.4% to 48.3% of GDP; and gross pension expenditure standing at 9.8% of GDP by 2022 (RS Government, 2019b). If these projections hold (which is less than certain because of the impact of the COVID-19 pandemic), future pension adequacy could be improved.

The estimated future demographic trends suggest greater pressure on the PIO Fund's budget in future. The Serbian population is ageing rapidly, and population projections show that the old-age dependency ratio (20-64) will reach 42.8% in 2035 and 58.2% in 2060. The demographic trend will also have a negative impact on the ratio of beneficiaries to contributors: in 2018, the ratio was 1:1.3 for employees; 1:1.5 for the self-employed; and 1:0.6 for farmers.

It is apparent that there is little scope financially within the PIO Fund to increase minimum pensions, even though the Fund's deficit has been reduced. In January 2020, 26% of beneficiaries received a minimum pension or less than the minimum. It is conceivable that in the medium term this proportion will increase, along with the number

¹⁶ <https://www.blic.rs/biznis/moj-novcanik/penzije-idu-na-440-evra-kako-ce-svajcarska-formula-za-povecanje-bitu-doradjena/9v6we9k>

of unemployed older people who reach pensionable age and enter retirement. In 2020 (February), 95.2% of registered unemployed had been unemployed for 12 months or more, while the share of the very long-term unemployed (24 months or more) was 81.5% (NES, 2020). In the same month, 22.4% of unemployed were in the age group 55-64: 11.9% men and 10.3% women. Women are more likely to have lower pension benefits, as their inactivity rate is much higher than that of men: in 2019, it was 38.7% (15-64), 13.6 p.p. higher than among men.

3.4 Solidarity mechanisms

A number of solidarity elements have been built into the public pension scheme.

The minimum pension is guaranteed to old-age and disability pensioners, but not to recipients of survivor pensions. In January 2020, the minimum pension was €128.60 (€101 for farmers), lower than the 2018 at-risk-of-poverty threshold of €141.40 (RSD 16,615); 11.8% of pension beneficiaries received pensions at below the minimum and 14.2% received the minimum pension.

Gender solidarity is also present, with women entitled to a 6% increase in years of service, once they achieve the conditions for old-age retirement (up to 40 years of service). 'Special years of service' are awarded to women who have had children, although the main objective of this measure is to boost the population. Women who give birth to three children are entitled to an additional two years; two children gain them a one-year addition; and for one child they get a six-month addition.

Unemployed persons who were previously employed for 12 consecutive months (or 18 months with pauses) are entitled to unemployment benefits lasting from three months to one year (conditional on years of service) and coverage of their insurance contributions for health care, pension and invalidity. If an unemployed person has two years left before the statutory retirement age, unemployment benefits are paid for those two years. Since the duration of unemployment benefits is limited, in 2020 (February) only 6.9% of the registered unemployed received this benefit (NES, 2020).

Payments for disability pensions are calculated in relation to the cause of the disability: if the disability is caused by injury or illness related to work, 40 years of service is calculated. If the disability is unrelated to work, the additional years of service are conditional on the age of the disabled person.

Survivor pensions are payable provided at least five years' worth of pension insurance has been maintained, or the conditions for old-age, early or disability retirement have been met, or the deceased person was a pensioner. If the insured person has died due to work-related conditions/injuries, family members are entitled to a survivor pension, regardless of the insurance record. Family members who are entitled to a survivor pension are: children, spouses, parents and other dependent relatives.

Redistributive elements are built into the coverage of farmers' pension benefits. Prior to 2008, three separate funds managed pension and invalidity insurance for employees, self-employed and farmers. In 2008, these funds were unified, with a separate account for each group; and in 2011 unified account was established. This allows for the redistribution of the total revenue for farmers' pensions, since the ratio between the number of farmer beneficiaries and the number of insured farmers (who pay contributions) has been declining steadily since 2008. In that year, the ratio was 1, but by 2019 it had decreased to 0.6; meanwhile the corresponding figure for employees was 1.3, and for the self-employed – 2.6 (PIO Fund, 2020a).

4 Recommendations

Improving the collection of insurance contributions will continue to be one of the most important tasks. Presently, the contribution rate is quite high, and any further increase could have a negative impact on new employment. The government should enhance the measures to maintain full fiscal discipline and shrink the informal economy.

The other relevant issue relates to a better-structured farmers' pension system, which would motivate farmers to engage in pension insurance. The fact that their insurance is compulsory, but coverage is very low, points to the inefficiency of the fiscal system. Improved coverage will bring benefits to both parties: by increasing the PIO Fund's revenues, on the one hand, and by reducing the number of poor rural households, on the other.

There is no systematic solution for social pensions for the elderly who are left out of the pension insurance scheme. The current minimum income scheme has a very low eligibility threshold for the main financial assistance (the FSA) – €72.40 (RSD 8,508) in 2019 for a single person, which leaves beneficiaries on a minimum pension out of the FSA scheme.¹⁷ One possible solution could be to define a different, more relaxed FSA threshold for people aged 75 and over.

The other recommendation concerns the long-term effects for ensuring adequate pensions for future generations. The currently low share of personal pension schemes needs to be reversed, through positive campaigns promoting the benefits of the scheme. The government should introduce more favourable conditions for the Voluntary Pension Funds, through tax breaks and more flexible investment options.

¹⁷ RS Official Gazette 36/2019.

References

[Eurostat](#)

Fiscal Council, Penev, G., (2013) Projections of Population of Serbia, 2010-2060

[Ministry of Finance, 2020, 'Basic macroeconomic indicators, February 2020'](#)

National Bank of Serbia, 2020, Voluntary Pension Funds, Report for the 3rd quarter of 2019

National Employment Service (NES), 2020, Monthly Statistics Bulletin, no. 210, February 2020

Republic Pension and Invalidation Fund (PIO Fund), 2020a, Annual statistical bulletin, 2019

Republic Pension and Invalidation Fund (PIO Fund), 2020b, Monthly statistical bulletin, XII-2019

Republic Statistics Office (RSO):

2019, SILC 2018

2012, Census 2011

RS Government, 2015, Fiscal Strategy for 2016, with projections for 2017 and 2018.

RS Government, 2019a, Budget Law 2020, RS Official Gazette 84/2019

RS Government, 2019b, [Revised Fiscal Strategy for 2020 with Projections for 2021 and 2022](#)

[Serbian Association of Pensioners \(SAPENS\), 2019, Letter to President of Republic, President of Government, Minister for Labour, Employment, Social and Veterans Policy and Minister for Finance](#) (accessed 31 March 2020)

Statistical Annex

Table A.1 Relative incomes of older people

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
Relative median income ratio, 65+ over 18-64, %	102	109	96	0	-5	2
Income quintile share ratio (S80/S20), 65+	5.78	5.25	5.81	-0.58	-0.9	-0.68
Income quintile share ratio (S80/S20), 65+ - 0-64	9.89	11.47	8.59	0.73	1.99	-0.4
Aggregate replacement ratio (ARR) %	46	49	42	-3	-6	-2

Table A.2 Poverty and material deprivation

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
At-risk-of-poverty or social exclusion (AROPE),	30.0	24.9	33.8	-5.7	-5.8	-5.5
At-risk-of-poverty rate (AROP), 65+ (%)	21.1	16.9	24.3	1.7	1.4	1
Severe material deprivation (SMD), 65+ (%)	17.8	14.3	20.3	-6.4	-8.5	-9.6
Relative poverty gap, 65+ (%)	21.1	16.9	24.3	1.6	1.6	1.8
At-risk-of-poverty rate (AROP), 65+: 50 %	13.4	10.9	15.3	0.6	1	0.5
At-risk-of-poverty rate (AROP), 65+: 70 %	26.2	21.3	29.9	-0.6	-1	-0.2
Material and social deprivation, 65+ (% -	34.5	30.6	37.4	-11	-10.8	-11.2

Table A.3 Gender differences

Indicator	2018	Change 2013-2018
Gender gap in pension income (65-79) (%)	18.3	-8.3
Gender gap in non-coverage rate (W-M in p.p.) (65-79) %	2.9	1.9

Table A.4 Housing and health situation of older people

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
Housing cost overburden rate, 65+ (%)	27.6	:	:	6.8	:	:
Self-reported unmet need for medical care 65+ (%)	13.9	14.3	13.7	4.5	3.1	5.4
Life expectancy at age 65 (years) (2017)	15.8	14.5	17.0	0.8	0.7	1

Table A.5 Pension duration

Indicator	2018			Change 2013-2018		
	Total	Men	Women	Total	Men	Women
Employment rate, age group 55-64 (%)	46.5	57.2	36.7	12.2	12.2	12
Gross public pension expenditure as % of GDP ¹⁸		10.4			1.7	
Pension payment duration (years) ¹⁹	:	15.4	20.8			
Old-age dependency ratio (20-64) (%)	20.64	:	:	:	:	:

Data source: (1) (2) (3) (4) (5) Eurostat, March-April 2020.

¹⁸ Ministry of Finance (2020).

¹⁹ PIO Fund (2020a).

Getting in touch with the EU

In person

All over the European Union there are hundreds of Europe Direct Information Centres. You can find the address of the centre nearest you at: <http://europa.eu/contact>

On the phone or by e-mail

Europe Direct is a service that answers your questions about the European Union. You can contact this service

- by freephone: 00 800 6 7 8 9 10 11 (certain operators may charge for these calls),
- at the following standard number: +32 22999696 or
- by electronic mail via: <http://europa.eu/contact>

Finding information about the EU

Online

Information about the European Union in all the official languages of the EU is available on the Europa website at: <http://europa.eu>

EU Publications

You can download or order free and priced EU publications from EU Bookshop at: <http://bookshop.europa.eu>. Multiple copies of free publications may be obtained by contacting Europe Direct or your local information centre (see <http://europa.eu/contact>)

EU law and related documents

For access to legal information from the EU, including all EU law since 1951 in all the official language versions, go to EUR-Lex at: <http://eur-lex.europa.eu>

Open data from the EU

The EU Open Data Portal (<http://data.europa.eu/euodp/en/data>) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.

