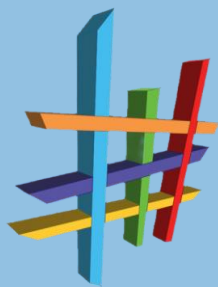


# Poverty Watch Serbia 2023: Re-Investing in Social Welfare, Putting People and the Planet at the Centre



EAPN Serbia

OCTOBER 2023

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## Introduction

This is the fifth 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 2021, the position of vulnerable groups (children and youth, the elderly, and the Roma population), and the role of fiscal policy in reducing poverty. The focus of this report is the relationship between fiscal policy and poverty, that is, the relationship between tax policy and public expenditure policy on the one hand and social transfers aimed at reducing poverty and inequality on the other hand.

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.<sup>1</sup>

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<sup>1</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. Available at: <https://www.euro.centre.org/publications/detail/3910>

# Poverty in Serbia

## 1.1 Recovery from the pandemic and new challenges

Serbia is among the European countries with the highest at-risk-of-poverty and social exclusion rates and the countries with the greatest social inequalities. Global challenges in the past few years, such as the COVID-19 pandemic, the war in Ukraine, and the increase in food and energy prices, have further hindered and slowed the progression of decreasing poverty and social inequalities in Serbia.

The effects of the COVID-19 pandemic were mitigated by the one-time financial support measures of the Government of the Republic of Serbia for the economy and all adult citizens during 2020 and 2021, which were aimed at protecting jobs and income. These financial measures alleviated the crisis, and the poverty rate continued a slight downward trend. Nevertheless, a universal approach to delivering social assistance to alleviate the repercussions of the pandemic has resulted in the exclusion of particularly susceptible groups of the population, including children, undocumented individuals, and the homeless, among others. On the other hand, the economic aid measures aimed at preserving jobs did not include the informally and temporarily employed, thereby worsening their position and contributing to overall inequality. In addition, despite its short-term positive impact on mitigating the effects of the pandemic, the government's response in the form of relief measures resulted in an increase in public expenditures, which, combined with a concurrent decline in public revenues, caused significant fiscal pressure.<sup>2</sup>

The gradual economic recovery in 2021 was slowed by challenges from the external environment stemming from the repercussions of the war in Ukraine and, above all, by the increase in food and energy prices. In the second half of 2022, inflation reached 15.1%, representing a record inflation rate in Serbia in the last 15 years. The average inflation rate in 2022 was 11.9%, and as much as 65% of inflation growth is based on the growth of food and energy prices.<sup>3</sup> This had a particularly negative impact on the purchasing power low-income and materially disadvantaged households, which spend most of their monthly income on food and energy. In addition, according to a UNICEF assessment of the impact of the Ukrainian crisis on the poverty situation in Serbia, the cost of living is rising faster than income.<sup>4</sup> Thus, the effect of salary growth in Serbia during the previous year was nullified by inflation. The average salary in Serbia increased nominally by 14.6% between July 2022 and July 2023, but only by 1.9% in real terms.<sup>5</sup>

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<sup>2</sup> World Bank (2021). *Western Balkans Regular Economic Report No. 19, Spring 2021: Subdued Recovery*. Washington: IBRD, The World Bank. Available at: <https://openknowledge.worldbank.org/>

<sup>3</sup> World Bank (2023). *Western Balkans Regular Economic Report: Testing Resilience*. Washington: World Bank. Available at: <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

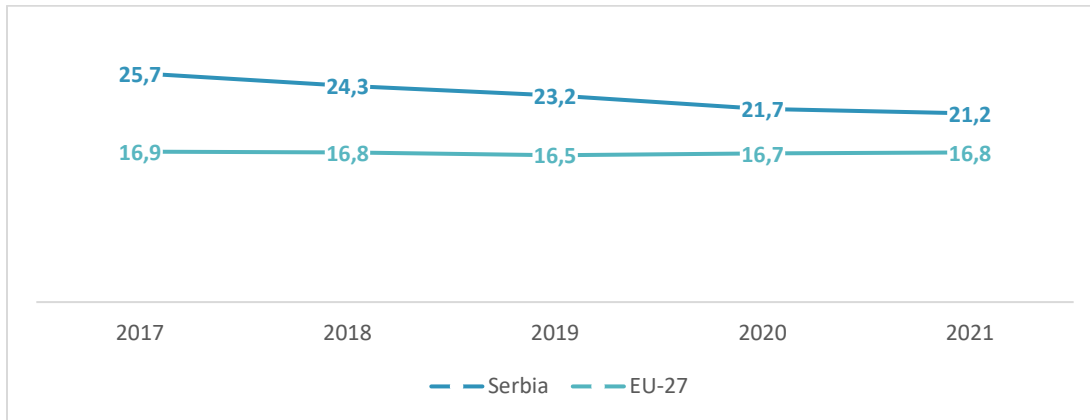
<sup>4</sup> UNICEF & UNU-MERIT (2023). *Izrada projekcija siromaštva na osnovu potencijalnog uticaja sukoba u Ukrajini: Na najugroženije grupe u Srbiji sa posebnim osvrtom na decu*. Beograd: UNICEF u Srbiji. Available at: <https://www.unicef.org/serbia/media/23351/file/Izrada%20projekcija%20siroma%C5%A1tva%20na%20osnovu%20potencijalnog%20uticaja%20sukoba%20u%20UA%20na%20najugro%C5%BEenje%20grupe%20u%20Srbiji,%20s%20posebnim%20osvrtom%20na%20decu.pdf>

<sup>5</sup> Statistical Office of the Republic of Serbia – Average salaries and wages per employee, July 2023, available at: <https://www.stat.gov.rs/en-US/vesti/statisticalrelease/?p=13804&a=24&s=2403?s=2403>

## 1.2 Indicators of poverty in Serbia

In recent years, there has been a positive trend toward reducing the poverty rate in Serbia. In 2021, the at-risk-of-poverty rate was 21.2% (Chart 1). The trend of declining poverty has continued primarily due to anti-pandemic measures, which, although not targeted at vulnerable groups, have generally contributed to mitigating the crisis.

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

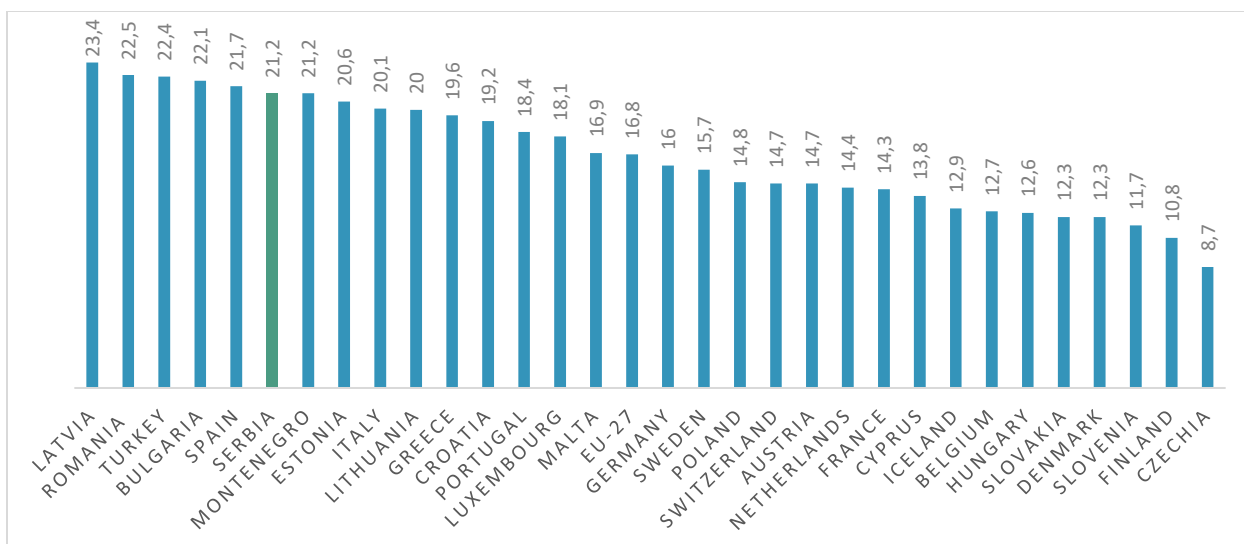


Source: Eurostat, tps00184

Nevertheless, the at-risk-of-poverty rate in Serbia is generally high and is one of the highest in Europe. Specifically, Serbia ranks sixth in the at-risk-of-poverty rate among European countries that measure this indicator according to the European Union's (EU-SILC) methodology.<sup>6</sup>

Chart 2: At-risk-of-poverty rate after social transfers, 2021, %

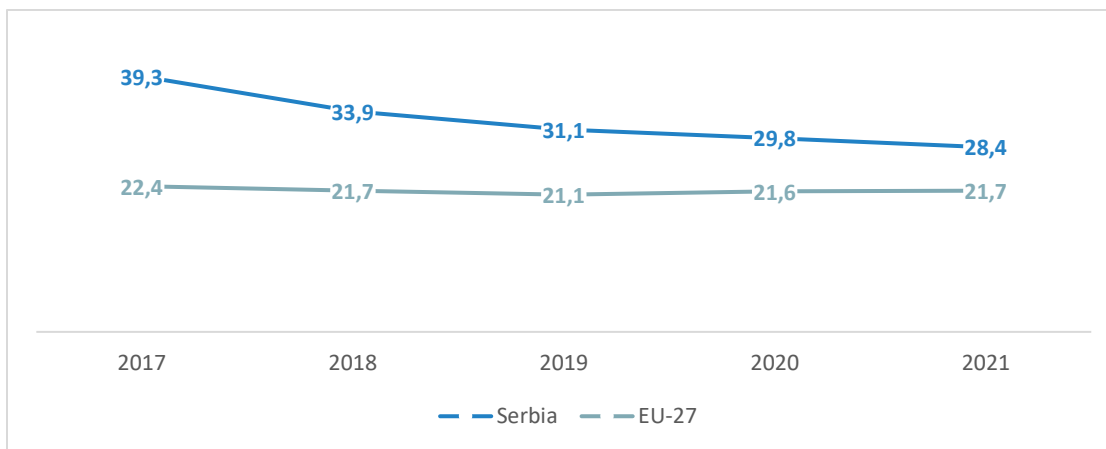
<sup>6</sup> A higher at-risk-of-poverty rate in 2021 was measured in Latvia, Romania, Turkey, Bulgaria, and Spain.



Source: Eurostat, tps00184

While a fifth of the population was at risk of poverty in 2021, almost a third of the population in Serbia (28.4%) was at risk of poverty or social exclusion (Chart 3). However, data on the trend of this indicator for the period 2017–2021 show a decline, while the at-risk-of-poverty rate in the same period is somewhat more stable. Such data indicate a discernible improvement in the aspects of material deprivation and employment intensity, while the financial aspect of poverty shows a slower downward trend.

Chart 3: At-risk-of-poverty or social exclusion rate, %

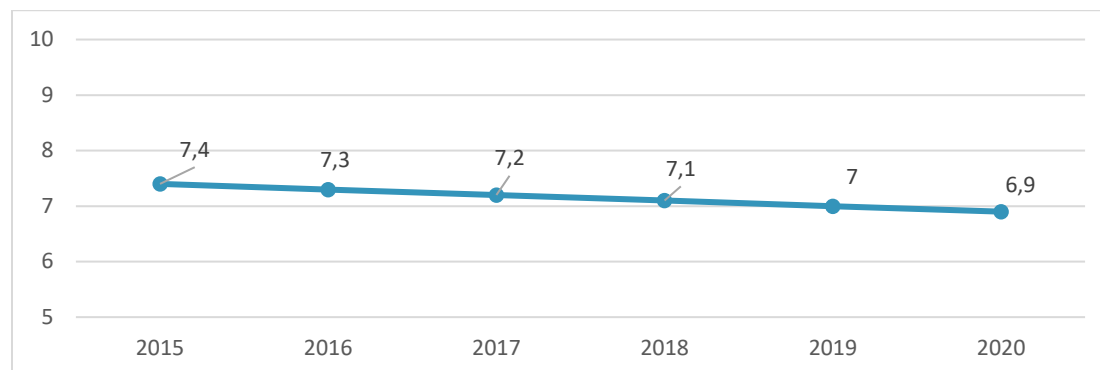


Source: Eurostat, tipslc10

The latest data on the absolute poverty rate from 2020 indicate that around half a million inhabitants cannot meet basic life needs. In addition, the rate of decline in absolute poverty is significantly slower than other changes in other indicators. This consistent maintenance of absolute poverty points to a

relatively "solid" core of the poor in Serbia who are not exposed to the effects of the productive poverty reduction policies and measures.<sup>7</sup>

Table 2: Absolute poverty rate in Serbia, %



Source: SIPRU, 2021.

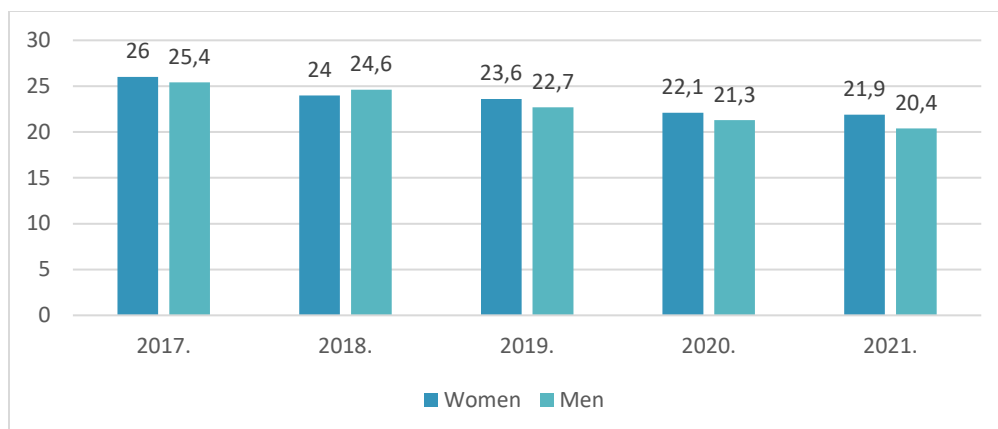
If we take into account the indicators of poverty for certain groups of the population, the reduction of poverty is registered in all age groups except for the group of the oldest population (age 65 and older).<sup>8</sup> Also, there are gender differences in the at-risk-of-poverty rate. The data indicate a higher at-risk-of-poverty rate in women, as well as a slower decline in the rate in the observed period (2017–2021), 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>9</sup>

Table 1: At-risk-of-poverty rate, by gender, %

<sup>7</sup> Babović, M., Cvejić, S., & Stefanović, S. (2017). *Oprez siromaštvo! Praćenje siromaštva u okviru razvojne agende UN do 2030. godine*. Beograd: SeConS grupa za razvojnu inicijativu. Available at: <https://secons.net/wp-content/uploads/2022/01/79-publication.pdf>

<sup>8</sup> Babović, M. (2023). *Izveštaj o napretku u ostvarivanju ciljeva održivog razvoja do 2030. godine u Republici Srbiji: Izveštaj za 2022. godinu*. Beograd: Republički zavod za statistiku. Available at: <https://sdg.indikatori.rs/media/1621/izvestaj-o-napretku-u-ostvarivanju-ciljeva-odrzivog-razvoja-do-2030-godine-u-srbiji-2022.pdf>

<sup>9</sup> Vuković, D., & Babović, M. (2022). *U lavirintu siromaštva i socijalne isključenosti: socijalna politika i država blagostanja u Srbiji*. Beograd: Dosije studio & SeConS grupa za razvojnu inicijativu. Available at: <https://secons.net/wp-content/uploads/2023/02/Vukovic-i-Babovic-U-lavirintu-siromastva-i-iskljucenosti.pdf>



Source: Eurostat, tessi010

When it comes to income inequality, Serbia ranks among the countries with the greatest inequality in Europe. The quintile ratio was 5.95 in 2021, which 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>10</sup> According to the Gini coefficient, which is 33.3%, Serbia is among the countries with the highest income inequality in Europe.<sup>11</sup> The cause of such large income inequality is found in the entire complex of rules for collecting public revenues and distributing public expenditures, which will be discussed more in the next chapter of this report.

### 1.2.1 EU-SILC data in Serbia

Although SILC data are used to show indicators of poverty, social exclusion, and inequality in disposable income in Serbia, these data should still be viewed with caution. Namely, since 2018, the Statistical Office of the Republic of Serbia has applied a revised methodology, which is Serbian economists question the comparability of SILC data in Serbia with SILC data in other European countries.<sup>12</sup> Some of the more significant methodological procedures used since 2018 in SILC measurement in Serbia are:

- Downloading data on social transfers intended for the poor from administrative registers instead of respondents declaring themselves in the survey.
- On the other hand, other incomes are not taken from administrative data, which means that the incomes of higher deciles remain relatively underestimated.
- Negative income is recoded into zero income.<sup>13</sup>

<sup>10</sup> Eurostat, ILC\_DI11.

<sup>11</sup> Eurostat, ILC\_DI12.

<sup>12</sup> Arandarenko, M., Krstić, G., & Žarković Rakić, J. (2019). Nejednakost u Srbiji: Da li je problem u merenju ili u politikama?, u: *Ekonomске ideje i praksa*, br. 32. Available at: <http://www.ekof.bg.ac.rs/wp-content/uploads/2014/10/Rad-061.pdf>

<sup>13</sup> Arandarenko, M. (2023). Ideologija neoliberalizma, fiskalna politika, siromaštvo i nejednakost u Srbiji. (forthcoming)



After these methodological changes in SILC, there was a drop in the poverty rate and a decrease in the Gini coefficient, which is now considered to be greatly underestimated in comparison to their "real" levels. In addition, the authors point out that, according to their knowledge, no other country that uses SILC combines administrative and survey data in this way, which makes it difficult to compare data from Serbia with data from other countries.<sup>14</sup>

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<sup>14</sup> Arandarenko, M., Krstić, G., & Žarković Rakić, J. (2019). Nejednakost u Srbiji: Da li je problem u merenju ili u politikama?, u: *Ekonomске ideje i praksa*, br. 32. Available at: <http://www.ekof.bg.ac.rs/wp-content/uploads/2014/10/Rad-061.pdf>

## 1.3 Groups at highest risk of poverty and social exclusion in Serbia

### 1.3.1 Roma population

Although the Roma people enjoy the status of a national minority under the Constitution of Serbia, which guarantees them the exercise of individual and collective rights in accordance with international standards of human and minority rights, they face discrimination and marginalization in every aspect of social life. In comparison to the general population, the Roma face an elevated at risk of poverty and social exclusion rate, primarily stemming from challenges such as low mobility in the formal education system (low school attendance and educational achievement), high unemployment rates, inadequate housing, restricted access to healthcare services, and overall low living standards.

The lack of adequate educational qualifications makes it difficult for Roma men and women of working age to integrate into the labor market. For instance, merely 33.33% of Roma individuals have successfully concluded their elementary education, 11.54% have accomplished secondary education and approximately 1% of the Roma population holds higher educational degrees.<sup>15</sup> Therefore, the lack of necessary education is one of the reasons why Roma people have a much higher level of unemployment and informal employment than the general population. Most Roma people work in seasonal agricultural and recycling activities in the informal sector, which prevents them from being registered in the official employment system and so denying them access to social benefits like health insurance and pension funds.<sup>16</sup> While precise official statistics on the income of the Roma are unavailable, it is approximated that the number of Roma individuals living in conditions of absolute poverty is increasing.

Although the rate of coverage of the Roma population by social benefits is high, poverty rates are still high, which indicates that social benefits are not sufficient and that it is necessary to create specific measures for the Roma population that would enable their better social inclusion.

### 1.3.2 Children and youth

In recent years, there has been a marginal reduction in the proportion of children facing poverty and social exclusion in Serbia. Nevertheless, children remain more susceptible to living in poverty compared to other age groups. Nevertheless, in terms of exposure to poverty, children are still by far the most vulnerable age group in Serbia, which more often than other age groups are at the bottom of the income

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<sup>15</sup> SIPRU (2021). Status of vulnerable groups in the process of the accession of the Republic of Serbia to the European Union. Situation Overview. Available at: [https://socijalnoukljucivanje.gov.rs/wp-content/uploads/2021/10/Status\\_of\\_vulnerable\\_groups\\_in\\_the\\_process\\_of\\_the\\_accession\\_of\\_the\\_Republic\\_of\\_Serbia\\_to\\_the\\_European\\_Union-Status\\_of\\_Roma.pdf](https://socijalnoukljucivanje.gov.rs/wp-content/uploads/2021/10/Status_of_vulnerable_groups_in_the_process_of_the_accession_of_the_Republic_of_Serbia_to_the_European_Union-Status_of_Roma.pdf).

<sup>16</sup> RCC (2015). Roma Inclusion Index 2015. Budapest: Decade of Roma Inclusion Secretariat Foundation. Available at: <https://www.rcc.int/romaintegration2020/files/user/docs/Roma%20Inclusion%20Index%202015.pdf>

distribution.<sup>17</sup> The most vulnerable are children living in large families, those in rural households, and in Roma settlements. In 2020, 10.6% of children aged 0-13 were situated in conditions of absolute poverty.<sup>18</sup> Furthermore, households with three or more dependent children continue to exhibit the highest risk of poverty, with a rate of 38.8% recorded in 2021.<sup>19</sup>

In the Republic of Serbia, the age group from 15 to 30 years is considered to be youth. This age group is also in danger of poverty. Namely, challenges with finances are a significant factor that hinders young individuals from achieving independence from their parents. Young people who live independently estimate that their material situation is below average in a higher proportion than those who live with their parents.<sup>20</sup> Therefore, financial constraints often play a role in the decision to delay starting a family.

Young people in Serbia face significantly more obstacles in the labor market compared to their peers in EU countries.<sup>21</sup> Numerous challenges that young people face when entering the labor market contribute to their unfavorable material situation. Widespread forms of informal employment, fixed-term or part-time employment, point to the increasing precariousness of work among the young workforce. The most vulnerable are young people in the category of 15 to 24 years old, who have a higher at-risk of poverty or social exclusion rate - 32.9% versus 28.4% in the total population.<sup>22</sup>

### 1.3.3 Older population (age 65+)

Serbia is among the countries with an aging population. As was already indicated, the only age group in Serbia where a recent drop in poverty has not been observed is the oldest population (65+).

Pensions serve as the primary financial pillar of defense against poverty in old age, especially for individuals living independently without the support of younger generations or employed household members capable of contributing to their financial stability. Pensions have a critical role in ensuring material well-being in senior years and establishing the prerequisites for a dignified existence. According to the data of the Statistical Office of the Republic of Serbia from 2021, the at risk of poverty rate for the

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<sup>17</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. Available at: <https://www.euro.centre.org/publications/detail/3910>

<sup>18</sup> UNICEF & UNU-MERIT (2023). *Izrada projekcija siromaštva na osnovu potencijalnog uticaja sukoba u Ukrajini: Na najugroženije grupe u Srbiji sa posebnim osvrtom na decu*. Beograd: UNICEF u Srbiji. Available at: <https://www.unicef.org/serbia/media/23351/file/Izrada%20projekcija%20siroma%C5%A1tva%20na%20osnovu%20potencijalnog%20uticaja%20sukoba%20u%20UA%20na%20najugro%C5%BEenje%20grupe%20u%20Srbiji,%20s%20posebnim%20osvrtom%20na%20decu.pdf>

<sup>19</sup> Statistical Office of the Republic of Serbia – Poverty and Social Inequality, 2021. Available at: <https://www.stat.gov.rs/en-US/vesti/statisticalrelease/?p=8870&a=01&s=0102>

<sup>20</sup> Popadić, D., Pavlović, Z., & Mihailović, S. (2019). *Mladi u Srbiji 2018/2019*. Beograd: Friedrich-Ebert-Stiftung. Available at: <http://library.fes.de/pdf-files/bueros/belgrad/15295-20190411.pdf>

<sup>21</sup> Vukov, T., Stančić, M., & Hrkalo, M. (2020). *Mladi i preduzetništvo u Srbiji*. Beograd: KOMS. Available at: <https://koms.rs/2020/12/22/istrazivanje-mladi-i-preduzetnistvo/>

<sup>22</sup> Eurostat, tipslc10

population over 65 years of age was 19.4%, while the poverty risk rate before social transfers and pensions was 78.8%, which indicates the importance of pensions.<sup>23</sup>

High inflation significantly affected the purchasing power of pensioners, despite the increase in pensions in the previous period. In June of this year, 2.7 average pensions were needed to buy the average consumer basket, and 1.4 pensions to buy the minimum consumer basket.<sup>24</sup> This ratio of consumer prices indicates the vulnerability of those over 65 who receive a smaller-than-average pension. However, in the most difficult position are elderly people who have not realized their right to pension, bearing in mind that social pension has not yet been introduced in Serbia.

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<sup>23</sup> Kuzmanov, L. (2022). *Siromaštvo starijih u Srbiji i Agenda 2030*. Available at: <https://sdgs4all.rs/wp-content/uploads/2022/07/fcd-sdgs4all-analiza-lidija-kuzmanov-siromastvo-starijih-i-agenda-2030-with-summary.pdf>

<sup>24</sup> Ministarstvo unutrašnje i spoljne trgovine Republike Srbije – Kupovna moć stanovništva, Potrošačka korpa, available at: <https://must.gov.rs/extfile/sr/3394/Korpa%20jun%202023.pdf>; Republički fond za penzijsko i invalidsko osiguranje – Prosečna penzija, available at: <https://www.pio.rs/sr/aktuelnosti/prosechna-penzija>

## Fiscal policy and poverty in Serbia

The causes of high inequality in Serbia are numerous – from the situation in the labor market to social and tax policies. The level of social inequality depends primarily on the ability of tax and social policy to reduce inequalities in disposable income. From a global point of view, Serbia is among the countries with a high level of public spending in gross domestic product (GDP), and in terms of fiscal capacity, it does not lag behind the countries of Western Europe.<sup>25</sup> On the other hand, the structure of public spending indicates limited expenditures on social programs that target materially disadvantaged households, which represent the only explicit anti-poverty programs in Serbia.<sup>26</sup> Therefore, high rates of inequality and poverty are considered the consequences of an insufficiently effective redistributive policy.

Social assistance programs targeted at the poor represent one component of the social protection system. Social protection in Serbia includes: social insurance (pensions and other social insurance programs), labor market measures (active and passive measures) and social assistance programs. Social assistance programs are non-contributory programs that are either targeted at the poor, such as social assistance and child allowance, or are categorical programs, such as wage compensation, parental allowance and veterans' benefits. Therefore, social assistance programs that target materially deprived households represent two types of social transfers – financial social assistance program for individuals or families and child allowance. In the structure of public expenditures for social protection, these social assistance programs represent part of the expenditures in the social assistance category (Chart 6), which, according to the World Bank report from 2015, amounted to only 0.5% of GDP.

Although in comparison with comparable countries of the European Union and the Western Balkans, Serbia has an average level of benefits for social protection, in recent years there has been a decrease in funds intended for the entire social protection system, as well as a decrease in the coverage of the poor population by social protection programs. Therefore, the effectiveness of social transfers in its basic intention – poverty reduction – is called into question.

One of the main reasons for the insufficient effectiveness of social transfers in reducing poverty is the gradual reduction in the level of public expenditures intended for the social protection system in Serbia. Namely, public expenditures for the entire social protection system, represented as a share of GDP, have shown a downward trend in recent years (Chart 6).<sup>27</sup>

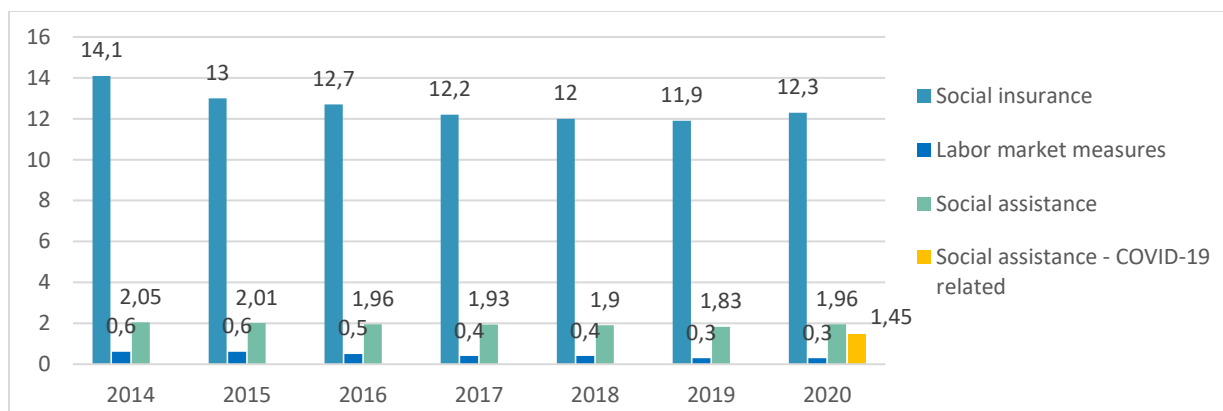
Chart 6: Total expenditure on social protection (percentage of GDP)

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<sup>25</sup> Arandarenko, M. (2023). Ideologija neoliberalizma, fiskalna politika, siromaštvo i nejednakost u Srbiji. (forthcoming)

<sup>26</sup> World Bank (2015). *Republic of Serbia Public Finance Review 2015: Toward a Sustainable and Efficient Fiscal Policy*. Available at: <https://elibrary.worldbank.org/doi/epdf/10.1596/24274>

<sup>27</sup> World Bank & UNICEF (2022). Pregled javnih rashoda za socijalnu pomoć u Srbiji. Beograd: World Bank & UNICEF. Available at: <https://www.unicef.org/serbia/media/23181/file/Pregled%20javnih%20rashoda%20za%20socijalnu%20pomo%C4%87%20u%20Srbiji.pdf>



Source: World bank & UNICEF, 2022.

According to the assessment of the World Bank, over 70% of the total funds for social protection in Serbia are allocated to pensions, whereas in OECD countries, approximately 40% of the funds for social protection are allocated to pensions.<sup>28</sup> Therefore, most of the relatively high public spending on social protection in the Western Balkans is allocated to pensions, indicating that only limited allocations reach impoverished and vulnerable households.

Coverage of the poor population by social assistance programs in Serbia is generally low, and, in recent years, there has been a slight decline in the number of beneficiaries of social assistance programs aimed at the poor.<sup>29</sup> 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 – social assistance and child allowance. Also, only 60% of children living in poverty are included in the aforementioned social assistance programs.<sup>30</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>31</sup> However, in March 2022, the Law on Social Cards entered into force in Serbia.<sup>32</sup> The law is presented as an important step towards the improvement of the social protection system: automation is introduced in the decision-making of the center for social work and an algorithm, which will collect all personal data about (potential) beneficiaries of social assistance

<sup>28</sup> World Bank (2023). *Western Balkans Regular Economic Report: Testing Resilience*. Washington: World Bank. Available at: <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

<sup>29</sup> European Commission – Serbia Report 2022. Available at: [https://neighbourhood-enlargement.ec.europa.eu/serbia-report-2022\\_en](https://neighbourhood-enlargement.ec.europa.eu/serbia-report-2022_en)

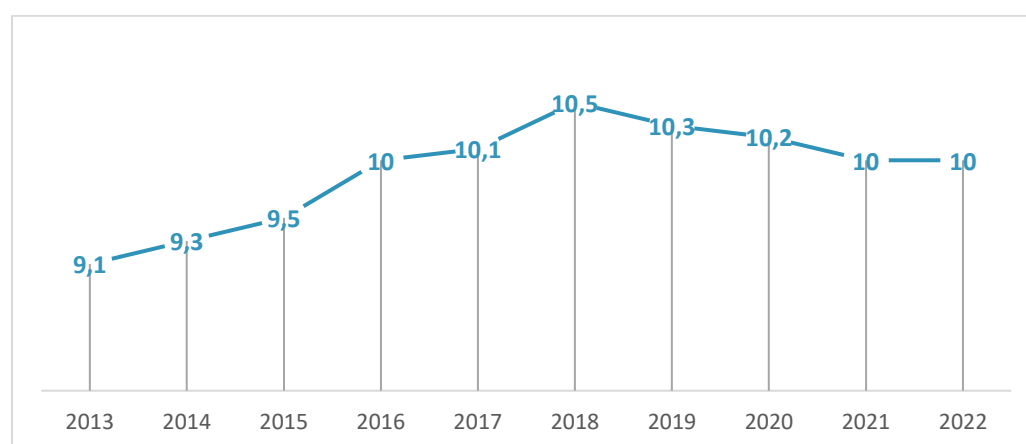
<sup>30</sup> World Bank & UNICEF (2022). *Pregled javnih rashoda za socijalnu pomoć u Srbiji*. Beograd: World Bank & UNICEF. Available at: <https://www.unicef.org/serbia/media/23181/file/Pregled%20javnih%20rashoda%20za%20socijalnu%20pomo%C4%87%20u%20Srbiji.pdf>

<sup>31</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. Available at: <https://www.euro.centre.org/publications/detail/3910>

<sup>32</sup> Zakon o socijalnoj karti, Sl. glasnik RS, br. 14/2021. Available at: <https://www.paragraf.rs/propisi/zakon-o-socijalnoj-karti.html>

and thereby create their social card.<sup>33</sup> Namely, with the introduction of the social card system, decision-making on whether someone has the right to receive social assistance has been completely digitized. 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 occasional and informal work (such as collecting secondary raw materials), which, even together with financial social assistance, cannot provide enough funds for the household's existential needs. Certain civil society organizations believe that this law is an aggravating circumstance for the materially disadvantaged 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>34</sup>

Chart 7: Share of social protection beneficiaries in the total population, %



Source: SORS, 2022.

In addition to the inadequate coverage of financial social assistance, the adequacy of the amount of these cash benefits is also highlighted as a major issue. Therefore, the majority of the poor do not exercise their right to social assistance, and those who do cannot satisfy their basic existential needs even with cash benefits.<sup>35</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>36</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

<sup>33</sup> A11 - (Anti)socijalne karte, available at: <https://www.a11initiative.org/antisocijalne-karte/>

<sup>34</sup> Cvejić, S. (2023). Odrednice i ishodi dečijeg siromaštva u Srbiji, MONS. Available at: <https://mons.rs/odrednice-i-ishodi-decijeg-siromastva-u-srbiji>

<sup>35</sup> For example, financial social assistance for a four-member family (parents and two minor children), according to data for 2023, amounts to 21,810 dinars (186 EUR), which is about 56% of the minimum wage in Serbia.

<sup>36</sup> Bradaš, S. (2021). Socijalne karte – bezizlaz iz siromaštva. Available at: <http://www.centaronline.org/sr/dogadjaj/12257/socijalne-karte-bezizlaz-iz-siromastva>

existential needs and must receive double the amount of social assistance to reach the relative poverty line.<sup>37</sup>

The presented shortcomings of the social assistance program, which are aimed at materially deprived households, are considered the main cause of the insufficient impact of social transfers on reducing poverty and inequality. Social transfers in Serbia reduce inequality somewhat less than the average for the EU (3.5 versus 3.7 percentage points, respectively). 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>38</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>39</sup>

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<sup>37</sup> *Ibid.*

<sup>38</sup> Arandarenko, M., Krstić, G., & Žarković Rakić, J. (2017). Dohodna nejednakost u Srbiji: Od podataka do politike. Beograd: Friedrich Ebert Stiftung. Available at: <https://library.fes.de/pdf-files/bueros/belgrad/13936.pdf>

<sup>39</sup> *Ibid.*



## 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 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 that would enable taxes and social transfers to have a 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 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 implementation of measures for reducing poverty and social exclusion.

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