

Social Protection

THE REFORMS SO FAR

1. After the changes of October 5, the social security network was completely ruined, so the first activities in the social protection were directed to stabilizing the system. With considerable donor support the servicing of debts accumulating for many years has started, as well as establishing regular payments of remuneration, renovating the homes for beneficiaries' accommodation, etc. The long-term strategic orientations were formulated through the inter-sector and sector strategies, and above all through the Poverty Reduction Strategy (2003) and Social Protection Development Strategy (2005).

2. **The system of remuneration** was considerably altered by the legal amendments in the first years of transition. The Law on Financial Support of Families with Children (2002) and Amendments to the Law on Social Protection and Provision of Social Security of the Citizens (2004) brought about the annulment of differences in criteria for allocating the remunerations and the introduction of the single absolute poverty line on the republic level, providing the maintenance of actual remuneration value by indexing the cost of living, with continual access to rights. Moreover, the amount based on the right to have third parties' care and assistance for old and disabled persons was greatly increased, especially for the beneficiaries with the highest degree of disability. Along with that the measures of social policy were separated from the measures of population policy. Child allowance was defined exclusively as a social policy measure, the universal right to child allowance was revoked, the amount of the allowance became the same regardless of the order in which the children were born and better targeting of the poor was provided by precisely defining the income and assets that are taken into consideration in identifying the right. The families with children with special needs, self-supporting parents, foster parents and guardians were put in a much favorable position. Parental allowance (a one-off cash benefit given at the birth of a child) is introduced as a birth incentive measure.

3. While the number of financial family support (MOP) beneficiaries declined during the 1990-ies, mainly as a result of the fact that

remunerations were not regularly paid, the number of beneficiaries has grown after the year 2000, especially after the adoption of new legal solutions which were directed to that goal. According to the 2007 data over 50 thousand families receive the financial family support (MOP), which is approximately 130 thousand individuals. Over 3 billion dinars (only 0.12% of GDP) was allocated for this purpose from the budget. The average monthly amount was around 5000 dinars per family, and 2000 dinars per individual. Along with the funds from a national level, almost all municipalities in Serbia pay the so called one-off pecuniary aid, mainly to the same beneficiaries. The beneficiaries of financial family support with children have the right to receive the child allowance at the same time.

4. Contrary to these developments, the number of child allowance beneficiaries has declined as expected, in accordance with the new policy and it decreased from 590 thousand in 2001 to 430 thousand in 2007. At present the child allowance is 1700 dinars per child (the increased amount is 2200 dinars), and the overall financing cost is 7.6 billion dinars (0.3 % of GDP).

5. The latest Living Standard Measurement Survey in Serbia indicates that the changes allowed better targeting and aiming at the poor and that the efficiency of the social programs providing for most of the total spending of the poorest households has increased.²¹

6. There were two mechanisms for the implementation of reforms in the **social welfare service** area: reform projects and special funds for financing the projects at the local level. First the Fund for Financing the Associations of the Disabled Persons was established (2002) and then the Social Innovation Fund (2003); both as mechanisms for the alternative social welfare development, changes at the local level and the introduction of the NGO sector in service delivery. Both funds represent the mechanisms of decentralization and reform of the system since they finance the projects at the local level and new alternative services that are not a part of the system or are not developed enough. As a result of reform efforts in the service area there was a considerable increase in the number of children in foster families (from 1600 in 2001 to almost 4000 children in 2007, whereas there are only 750 children in the homes for children without parental care compared to over 2200 before the commencement of reforms); there was an increase in the number of beneficiaries of home care and assistance, day care for children and adults with disability; also the protected housing development has started, as well as personal assistant service and shelters for the victims of family violence. In the previous

21 Statistical Office of the Republic of Serbia, World Bank, DFID, Living Standard Measurement Survey – Serbia 2002–2007, 2007, page 76

year there was an improvement in the design of the minimum standards of social welfare service as well as in the support and monitoring mechanisms. In over two thirds of the municipalities in Serbia the design of the plans for social welfare development is in the final phase, well supported by the donors.

STRATEGIC ORIENTATION OF FURTHER CHANGES

It is necessary, in the medium-term, to examine the **cash benefits**, both from the aspect of targeting and administrative procedures and the aspect of census adequacy and the amounts of the benefits alone. The earlier surveys clearly showed the flaws of both institutes, for example, the right to child allowance of the families with children which are not poor (mistake of inclusion), excluding the right to financial support of poor families (mistake of exclusion), inadequate equivalency scales in the system of financial family support that are in favor of small households, excessive requests concerning the administrative procedures which, on one hand, include the elements of self-targeting, but on the other hand, create an obstacle for many of the poorest families to enforce their rights to cash benefits. In line with the redefined role of the social work center it is necessary to resolve the dilemmas concerning the identification of the administrative procedures for the enforcement of rights and further IT strengthening, both on the local and national level, in order for the system to function better.

7. Strategically, one of the important issues in this area is the inclusion of some form of active participation of cash benefits beneficiaries. The active participation can have different forms and it can be individualized, up to the level of a single beneficiary. In principle, it includes the conditioning of aid, but it can also mean additional amounts of cash benefits for certain forms of conditioning. Determining the amounts of additional benefits in case of a job engagement is surely one of the greatest challenges in designing the activation schemes. Depending on the identified basic problem the beneficiary may be referred to public works engagement, to retraining and additional training, to attend the adult education program but also to family therapy, therapy for addictive diseases etc. Within the child allowance institute it is possible to provide for high school children to enforce their right to child allowance not only if they attend the classes regularly but also if they attend the unpaid programs to gain practice and working experience, to have additional schooling, to belatedly finish the primary school etc. It is also of importance to carefully identify the beneficiaries who could be temporarily or permanently exempt from these programs, for example pregnant women and self-supporting parents with small children, individuals taking care of a severely disabled household member etc. Designing the activation schemes is a

special challenge having in mind the accessibility of certain services necessary for the implementation of programs on the local level. Including the activation elements into the social assistance scheme should contribute to the better targeting of cash benefits beneficiaries, exclusion from the “rights” of those engaged in gray economy, but also in the social inclusion of the most vulnerable groups. It is of great importance that the formulation of activation programs for social welfare beneficiaries is harmonized with the appropriate programs designed for the unemployed, both on the strategic and implementation level. It is also necessary to properly define the roles and cooperation between the local self-governments, social work centers and the national employment service.

8. Decentralization, deinstitutionalization and further development of alternative social welfare services remain the most important strategic development orientations in the **area of services**.

In the medium-term one can primarily expect the decentralization of competence in the area of services of residential protection of the old to Vojvodina and Belgrade. There is an option to transfer this competence to other cities in Serbia as well. In the same period one can expect the completion of reform processes in the protection of children and youth without parental care which would allow for this competence to be decentralized in the same manner.

9. Deinstitutionalization and further development of alternative social welfare services must be considered within the uniform reform efforts. Both processes are also inseparable from the process of institution transformation, in order to ensure that the resources trapped in the residential institutions do not represent an obstacle but an integral part of the system change. Further reforms include the reduction in the share of institutional protection, significant improvement in the quality of institutional protection for those beneficiaries for which it is still necessary and strong development of all alternative services forms. The objective of the medium-term reforms is for these so called alternative services to become the main form of protection and for residential protection to become a short-term solution, the last option.

10. The further development of alternative social welfare services includes the provision of additional funds for their financing from a national level. In the long-run, it is obvious that financing of the social welfare services within the local government’s mandate has to be continuously supported in a regulated way from the national budget at the central level. Instead of being unmarked, these transfers should be earmarked in order to ensure that they are not spent for other purposes but exclusively for social welfare. At the same time, it does not mean that every dinar would be earmarked according to the type and scope of the service it should be spent on. The transfer amount could be formulated

so that it is allocated to the municipalities on the basis of a formula that would consider the per capita fiscal capacity of the municipality but also the need for social welfare services. Due to the limited budgetary capacity in the medium-term, the additional funds from the central budget intended for the social welfare service development could be transferred only to less developed municipalities, for example, those whose local budget is below the national average and all in a form of some sort of complementary grants. Coming back to the topic of decentralization within this context, the main issue of social welfare service decentralization is not just the issue of “lowering the competence” from the central to the lower levels of government but it is also the issue of encouraging development of those services that are already totally within the local self-government mandate and the development of which is the ultimate strategic goal that needs to enable the advancement of the situation for certain vulnerable groups.

11. In the area of service delivery it is necessary to ensure the separation of the role of the service buyer/financier from the role of the service deliverer, to stimulate competition and include the non-governmental stakeholders in the service delivery area, to solve the issue of beneficiary participation in the service cost in a more rational way etc. At the same time, it is necessary to formulate and clearly define the new role of the social work centers and their function in the system. In the medium-term, Serbia should finalize the establishment of all regulatory mechanisms that are the necessary precondition of the further social welfare development: formulating the minimum service standards, rules for licensing and accreditation of the service providers but also the strengthening of control mechanisms on the national and local levels. Strengthening of the professional capacity is a particularly important precondition for the accomplishment of all strategic goals of social welfare.

PASSIVE AND ACTIVE LABOR MARKET POLICY

1. **The loss of a huge number of jobs** in the state-owned and socially-owned sector was an expected result of transition and commencement of privatization process in 2001. The challenge facing the economic policy makers was twofold. On one hand, it was necessary to provide a sufficiently generous compensation for the workers facing the loss of their jobs so as not to jeopardize their existence while they are unemployed, as well as to ensure the political sustainability of the reforms. On the other hand, it was necessary to increase the chances for employment of the unemployed people, both by improving their relative chances through participation in the active labor market programs and by stimulating greater employment opportunities in the economy as a whole.