



FAMILY / CHILDREN CASH BENEFITS IN SERBIA

**SUMMARY OF THE ANALYSIS
AND POLICY RECOMMENDATIONS**



INTRODUCTION

Family is the basic source of security, protection and welfare for children. To the extent that in contemporary context the family obtains a substantial part of security through social welfare, the latter becomes all the more important for children.

Modern states are heavily engaged in child protection, to which they are also bound by the Convention on the Rights of the Child, ratified by almost all countries in the world.

In order to protect children, the state intervenes in the social sector by granting cash benefits and providing social services in order to:

- ***Reduce poverty*** of families with children, by granting benefits through means tested programs (social assistance cash benefits, free textbooks for poor children, free social services for poor, soup kitchens and the like.),
- ***Compensate for the costs*** of raising children and to ensure life-cycle consumption smoothing (universal child allowance benefits received by all children, tax deductions and tax credits for children),
- ***Provide insurance*** in case of the occurrence of specified contingency (family pension whose recipients are children),
- ***Improve human capital and human development*** (*education and health care of children*),
- ***Support fertility*** by helping parents achieve the desired number of children (birth grant)
- ***Create a balance between work and family life*** (child day care services, wage compensation during maternity/paternity leave),
- ***Protect particularly vulnerable groups of children***, e.g. children without parental care or victims of abuse and neglect (social services, family care),
- ***Enhance social inclusion of children with disabilities, as well as children from marginalized groups***, e.g. street children or children belonging to certain ethnic groups (integrated programmes in the field of social welfare, education and health).

The state further regulates the social sector, enacts laws and provides control and regulatory mechanisms. This role of the state is especially important in the field of protection of children under the Family Law (adoption, guardianship, etc.)

According to UNICEF's approach, cash benefits constitute one of the four pillars of social welfare and social security.

Cash benefits for children and families with children in Serbia, with reference to the possibilities for their improvement, have been explored in detail in the study prepared by the Centre for Liberal-Democratic Studies (CLDS) and the Centre for Social Policy with technical assistance and support from UNICEF. The research is based on the detailed analysis of the available data provided by the relevant ministry. The summary of the analysis and the most important findings of the study are presented in this brochure.

In Serbia, the following cash benefits are singled out as benefits determined by the presence of children:

- Financial social assistance,
- Child allowance,
- Allowance for other person's care and assistance,
- Birth grant and
- Wage compensation during absence due to childbirth – maternity leave, parental leave and leave for special child care.

FINANCIAL SOCIAL ASSISTANCE

I – Basic features of the programme, amounts and expenditures

Financial social assistance (FSA) is a last resort type of social welfare instrument and belongs to a group of social benefits aimed at provision of the guaranteed minimum income.

The right to FSA is means tested, i.e. income and asset tested.

Criteria – income threshold (income lower than the amount defined by law), asset threshold (moveable and immovable property, land maximum 0.5-1 ha), other criteria (nationality, for able bodied – active job search, etc.).

The amounts of assistance supplement the family income up to the legally defined amount and vary depending on the size and age structure of the household.

The amounts of assistance – Maximum amount of assistance for an individual household and for the first adult in the family is equal to the base amount, and each additional adult member is assigned a further 50% of the base, and the child 30%. For the families with over 6 members total amount of assistance is not further increased. The amount is increased by 20% for the households where all members are unable to work, as well as for single-parent families.

Table 1 – Example of monthly amounts/thresholds of FSA for certain types of households without income, 2012.

Type of household	FSA	Augmented FSA
Base/individual household	6,885	8,262
Single-parent family with two children	–	13,219
Family with both parents and two children	14,459	17,350
Family with both parents and four children	18,590	22,307

Source: Ministry of Labour, Employment and Social Policy

Note: For households without income, thresholds and FSA amounts are equal.

Families where the majority of members are able to work cannot exercise the right for longer than 9 months during one calendar year, and the Law provides the possibility to introduce the activation of beneficiaries.

In addition to the right to FSA, the beneficiaries are often granted additional assistance at the local level (in-kind and cash), while families with children are granted the right to child allowance if the children attend school.

The right to FSA is under jurisdiction of the Republic, it is financed from the state budget, and administered by the municipal centres for social work.

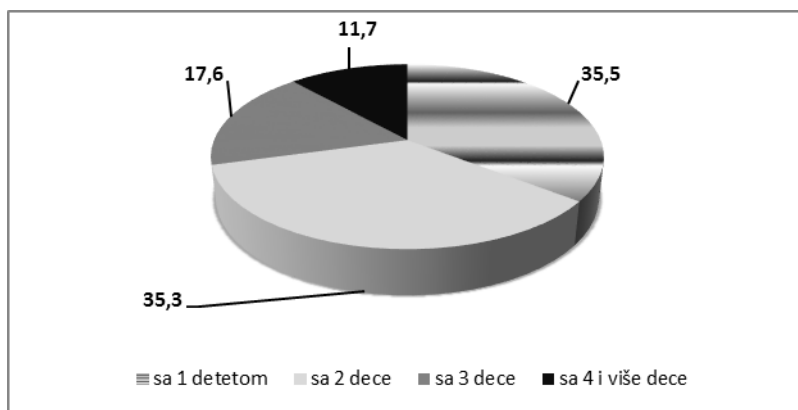
Total expenditures for FSA in 2012 amounted to approximately 10.3 billion RSD (0.3% GDP). The share of expenditures in the GDP has doubled since the new law was passed.

II – Families with children and children FSA recipients

The number of FSA beneficiaries is over 87 thousand households on average, with nearly 224 thousand individuals (2012). ***Families with children make up almost half of the FSA beneficiaries, and the total number of children in these families is approximately 86 thousand.***

The majority of the families with children that receive FSA are families with one child and two children, but only between 4 and 5% of the total number of the families with one child and two children are protected via the FSA , while nearly 38% of the families with more than four minor children are covered by the program.

Figure 1 – Structure of families with children, according to the number of children, FSA beneficiaries 2012.



- with 1 child
- with 2 children
- with 3 children
- with 4 or more children

Source: Ministry of Labour, Employment and Social Policy

Of the total number of children in Serbia, the FSA programme covers close to 7%, which represents a substantial increase in comparison with the previous years. The rate of protection of children is three times higher than the rate of protection of adults. This is certainly a result of the higher poverty of families with children, i.e. children in Serbia. In 2010, the absolute poverty rate for children amounted to 12.2% and for adults 8.5% (Statistical Office of the Republic of Serbia, 2011).

In 2012, the expenditures for families with children amounted to nearly 6 billion RSD (58.3% of the total expenditures for the FSA).

III – Evaluation of the programme (coverage, targeting, adequacy) and comparisons

Coverage of the poor is the weak point of FSA. According to various sources, the coverage of the poorest quintile is only 10-11% .

Low coverage is largely a consequence of the strict property threshold (land maximum). The problem is also the overly complex application procedures, the lack of information about the programme and the discretionary right of the workers in the CSWs to impute income from informal activities (so called “missed earning opportunities”)

Targeting (vertical efficiency), in terms of part of the funds allocated to the poorest, is a strong aspect of the programme. According to previous studies, 76.6% of the funding for the FSA went to the poorest quintile (World Bank, 2011, p. 94).

Adequacy in terms of satisfying basic needs cannot be assessed positively. For single-parent families the amounts would have to be increased by almost a half and for families with both parents by 80-100% so as these families would be able to reach the threshold of poverty. The amounts of assistance are more adequate only if we take into account other benefits that are available to the poorest families with children.

Adequacy also entail that the amounts of assistance should not present a disincentive for work and employment.

The annual income of families with children from FSA program is low even when compared to the minimum wage. It is only for families with four children that the amounts of assistance reach the net minimum wage.

In **comparison with the EU countries**, the maximum legally prescribed amounts of assistance are low. For single-parent families these amounts are lower only in Slovakia, Bulgaria and Romania. In some of new member states the amounts of the benefits are, in reality, lower than the legally prescribed maximum. According to the share of the GDP that is allocated to FSA, Serbia is at the EU average.

Unlike many EU countries, the amounts of assistance in Serbia are not tied to any particular national living standard indicator, and the coefficients assigned to children are lower than in other countries. The biggest difference can be seen in the activation of the beneficiaries, which exists in most countries, and which in Serbia has not been implemented yet.

In the EU, families with children are proportionally more protected and the amounts for them are more generous. The children are assigned a much higher coefficient, often equal to the one attributed to adults, and sometimes even higher.

IV – Suggestions for improving the programme

- **Further improvement of coverage and the adequacy.** Having in mind the amounts of the lowest pensions from the farmers insurance, the level of assistance compared with minimum wage, as well as the level of expenditures for FSA, currently there is not much space to increase the base (income threshold) and the amount of assistance.
- With the increase in the budget available for FSA due to the faster growth of the GDP in relation to expenditures, due to the reduction of poverty or due to the elimination of beneficiaries engaged in grey economy, **it is desirable to consider increasing the equivalence scale, especially for children.**

The least controversial intervention represents an increase of equivalence scales for children older than 14 years from 0.3 to 0.5, in accordance with the modified OECD equivalence scale. One option is also to increase the coefficient assigned to children with disabilities in the poorest families, since in Serbia, except for the increased child allowance, there are no other instruments for protection of the financial situation of this particularly vulnerable group.

- The increase in the coverage of the poor could also be accomplished by a partial **relaxation and review of the non-income eligibility criteria, especially those related to land ownership.**

Review of eligibility criteria could also entail transfer of the proceedings for placing the property under mortgage to the public attorney, distinguishing fertile from barren land, increasing land maximum, assigning a smaller amount of assistance to beneficiaries who have more assets, etc.

- **Introducing elements of activation.** The activation would, in addition to support in terms of social inclusion, allow exclusion of beneficiaries engaged in grey economy and eliminate fears that an increase in the amount of assistance could be a disincentive for work. It is especially important to activate young people, primarily to stimulate them to return to education.
- **Reviewing other elements of the income threshold.** In the medium term, when checking the financial situation, the option not to take into account the entire income from work should also be considered. What should also be reviewed is whether it is appropriate to use the cadastral income as a criterion for estimating the financial situation, as well as defining income. Another issue is whether certain incomes are unjustifiably excluded when allocating rights (treatment of birth grant, especially for the third and fourth child, for whom the amounts are very high).
- **Improvements in the provision of information and assistance in applying, linking of different systems in terms of information sharing and collaboration, improving the work of the centres for social work** which would result in active searching for potential beneficiaries (outreach).

CHILD ALLOWANCE

I – Key features of the programme, amounts and expenditures

Child allowance is a cash benefit targeting families with a lower income who have children. The right to child allowance can be exercised only for the first four children in the family, provided that the beneficiary cares for the children directly, that children are not older than 19 years and that they attend school regularly. Special advantages are granted to children with disabilities and for children from single-parent, foster and guardian families.

Criteria – income threshold (income lower than the amount prescribed by law), property threshold (immoveable and financial assets, land maximum up to 2 ha per member of the household), other conditions (citizenship, health insurance of parents, child's education, etc.). In 2012, the threshold for eligibility for child allowance amounted to 7,287 RSD per member of the household.

The amount of the child allowance is equal for all children and in 2012, the average regular child allowance amounted to 2,308 RSD, and the augmented one to 3,000 RSD per child.

Administration of child allowance has been delegated to local self-governments, and is financed by the national budget.

Besides the rights from the child allowance programme, families are often granted additional assistance at the local level (assistance in-kind and cash), and poor families in particular are granted financial social assistance.

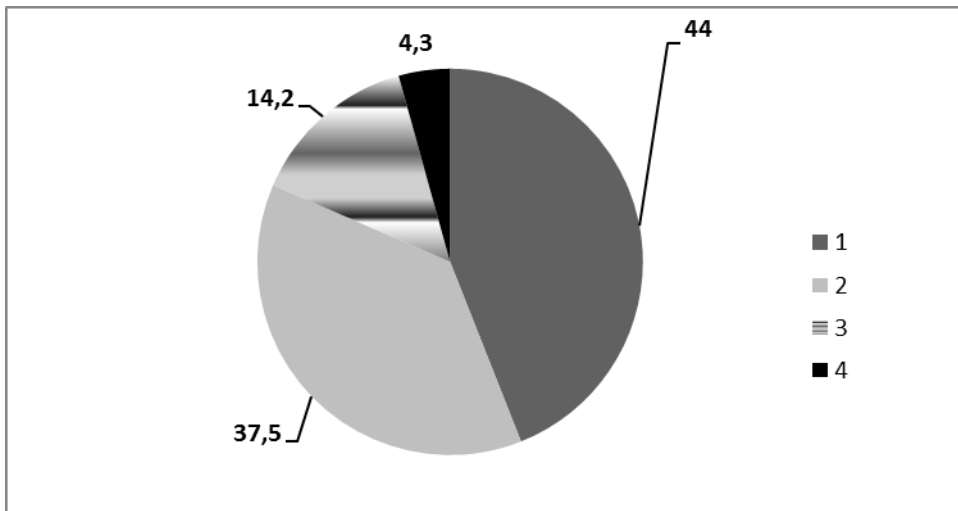
During 2012, 11.1 billion RSD, i.e. about 0.33% of the GDP of Serbia has been allocated for child allowances. This share has stagnated in recent years, but has decreased in relation to the beginning of the decade (in 2003, it amounted to 0.54%)

II – Child allowance beneficiaries

In 2012, child allowance was received on average by 382.9 thousand children who lived in 203.3 thousand households, which on average amounts to 1.88 child allowances per household. The number of children receiving child allowance has significantly decreased from the first months of 2002 to 2009 because of the 2002 programme reform, which transferred the population policy function to birth grant. In the following years, the number of beneficiaries has stagnated, and in the period of crisis it has slightly increased.

The structure of children in relation to households by the number of children is shown in the following chart.

Figure 2 – Structure of children with child allowance in relation to the number of children in the household, 2012, in %.

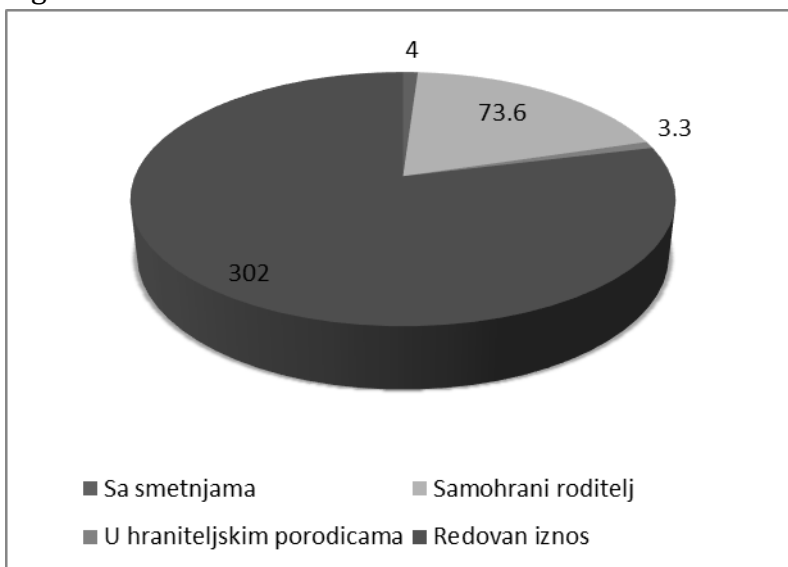


Source: MLESP

Out of children receiving child allowances, 44% live in a household with one child, 37.5% live in a household with two children, 14.2% with three and only 4.3% with four children. Such relations are expected and in accordance with Serbia's unfavourable demographic profile and a prevailing structure of households.

Out of total 382.9 thousand children, there are a significant number of children who exercise the right under more favourable conditions and who receive the augmented child allowance: in 2012, there were total 80.9 thousand of them, or 21.1% of the total number. Of this, 73.7 thousand children live with single parents, 4 thousand are children with disabilities, and 3.3 thousand live in foster or guardian care.

Figure 3 – Structure of children who receive child allowance, 2012.



- with disabilities
- in foster care
- single parent
- regular amount

Source: MLESP

III – Evaluation of the programme (coverage, targeting) and comparisons

Coverage of children. In 2011, in Serbia, 28.3% of children and adolescents, 0-18 years of age, received child allowance, which is, in other words, slightly more than one in four children. This percentage is not small, though modest when compared to some other countries, and is a consequence of the chosen concept of child allowance as an instrument of primarily social policy.

Targeting (vertical efficiency) is generally modest. The programme is very well targeted, but one part of the resources is still “leaking” towards the richest. About 70% of the child allowances go to households in the two poorest quintiles. Targeting is not satisfactory in relation to the legal conditions of the programme.

When **compared to the EU countries**, the main difference arises from the character of the child allowance: child allowances in Serbia are intended for children from the poorer layers of population and the right to them is granted based on the checking of income and property, together with some other eligibility criteria. Such programme exists only in one quarter of the EU countries, while in the other countries, the programme is either universal (without means testing) or in addition to the dominant universal feature, there is also a component targeting the poorer families with children.

Serbia is among the countries that allocate the lowest portion of the GDP for this support programme for families with children. It is positive that the share of the expenses for child allowances in Serbia has not been reduced during crisis.

IV – Suggestions for improving the programme

- **Automatically include children from families receiving financial social assistance in the child allowance programme** if they submit a proof of school attendance. This would significantly simplify the process of exercising the rights for these children.
- **Eliminate the requirement that the parents have health insurance**, since the previous reasons for imposing such condition lost their significance.
- **Limit the right for four, not first four children** from the family, which would lead to a certain improvement of the position of the families with more children that are more vulnerable to poverty. In addition, the limit should apply only to the children from biological family and should not include children in guardian care.

- **Abolish the right to child allowance for children in foster care**, since foster parents are already receiving a rather high compensation for the expenses of raising children.
- **Broaden the coverage and redefine the category of children with disabilities** who are able to exercise the right to child allowance based on the disability. The changes could refer to a substantial increase of the amount of the allowance, its differentiation in accordance with the degrees/intensity of support, together with the increase of income threshold, and even introduction of the universal allowance for children with disabilities.
- **Eliminate cadastral income as a condition for exercising the right to child allowance** because that criterion is obsolete, not up-to-date and excludes a large number of children from agricultural households from the right to child allowance. Cadastral income should be replaced by identifying income through the VAT system, and for agricultural households that do not have a registered turnover the means threshold (i.e. agricultural land)_should be kept as the only eligibility criteria.
- **Introduce a modified OECD equivalence scale** for the calculation of the income threshold, which is already being used for financial social assistance, because in that way the actual household expenses would be acknowledged and the needs for child allowance would be established more justly. In order for the number of the recipients of child allowance not to change, the introduction of the equivalent scale should be accompanied by an increase in the income threshold, from 7 to 14.1 thousand RSD per equivalent adult (the prices are from November 2011, when this particular part of analysis was carried out). One of the results of this change would be an increase in the participation of children from the families with a small number of household members. Alternatively, in order to increase the coverage of children, the threshold could be increased to 20,000 RSD per equivalent adult.
- **Introduce different amount of child allowance depending on the age of the child** (two groups): for children up to 14 years of age lower, because of the genuinely lower expenses, and for older children higher, because of the genuinely higher expenses. Here we should also bear in mind the existence of the birth grant and the reimbursement of VAT (paid no later than up to two years of age) through which the families with small children are already provided a significant financial support. Moreover, the possibility should be considered to introduce the attendance of the mandatory pre-school preparatory programme as a condition for receiving child allowance. **For children aged 14 or older** (in accordance with the expenditure patterns), the suggestion is to **increase the benefits** to 3,500 RSD in order, based on the prices and the poverty line in 2012, to reach the half of the amount necessary to exit poverty. Alternatively, in order to encourage school attendance more strongly, another option for older children is to introduce the additional one-off payment at the end of school year instead of the monthly increase in the amount of child allowance.

- **Introduce a lump-sum benefit in the amount of one child allowance at the beginning of the school year** because of the increased expenses of the family in that period.
- **Improve the operative administration of the child allowance programme**, particularly through networking of all available databases, so as to prove the status of children and family and make a collaboration protocol between the child allowance LSG departments and the centres for social work.

ATTENDANCE ALLOWANCE

I – Basic features of the programme, amounts and expenses

Attendance allowance presents a cash benefit intended for persons who due to a physical or sensory impairment, or intellectual difficulties cannot independently perform basic daily activities. **The right to attendance allowance is conditioned solely by medical condition, not financial situation.**

This cash benefit is directed toward all age groups, so beneficiaries can also be children.

The procedure of determining disability/inability in the process of exercising the right is carried out by the professional expert body established according to the standards regulating the pension and disability insurance, while the procedure of granting rights is administered by the centre for social work.

There are two levels of benefits – **basic** and **augmented**.¹ The augmented allowance has been introduced by the amendments of the 2005 Law on Social Protection and Provision of the Social Security of Citizens and this right has been given to persons with the highest degree of disability – 100% on one ground or over 70% on several grounds.

In 2012, the basic allowance amounted to 8,628 RSD, and the augmented allowance 23,273 RSD.

The amounts of the basic and augmented allowance were proscribed by the 2011 Law on Social Protection in nominal amount, with adjustments with the consumer price index twice a year (April 1 and October 1).

Total expenditure for attendance allowance for children and young people (aged 0-25) in 2012 amounted to approximately 2.1 billion RSD or **0.06% of GDP**. The expenditure for children aged 0-17 amounted to 1.3 billion RSD or 0.04% of GDP.

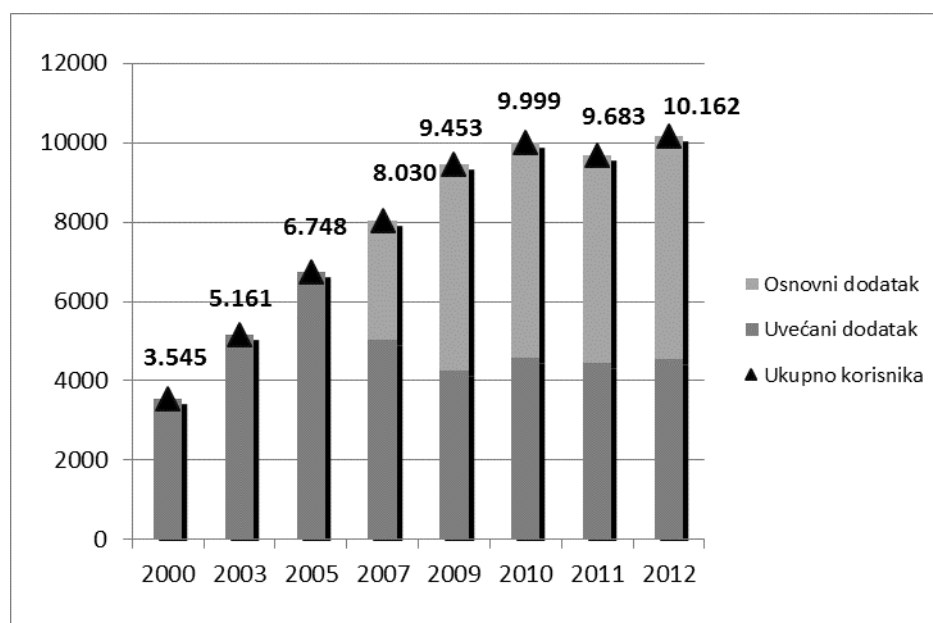
¹ There is also the basic benefit from the Pension and Disability Insurance (PDI) Fund, but since children are usually beneficiaries of AAC from the social protection system (because they are not insured and do not pay contributions), we are considering only the allowance from the social protection system.

II – Beneficiaries of the attendance allowance

In 2012, the attendance allowance was used by **6,465 children up to 18 years of age** (which makes about 19% of the beneficiaries of the social assistance system), *i.e.* **10,162 children and young people up to 26 years of age** (which makes about 30% of the beneficiaries).

The coverage trend for children and young people benefiting from attendance allowance (aged 0-25) indicates that the number of beneficiaries of this right has almost tripled since 2000. This increase was aided by the introduction of the augmented allowance (Figure 4). In 2012, the increased allowance was received by 55% of beneficiaries.

Figure 4 – The number of beneficiaries aged 0–25, 2000–2012.

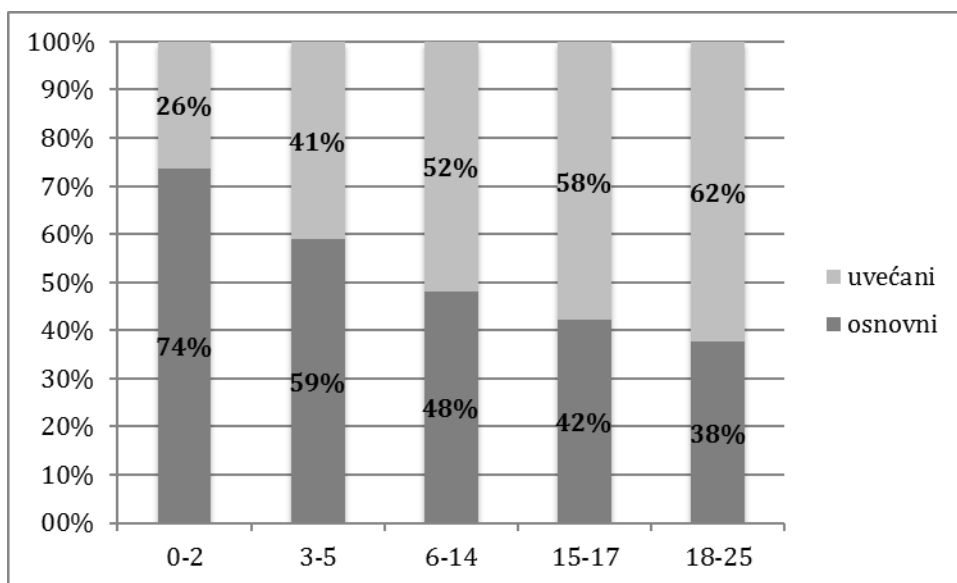


- Basic allowance
- Augmented allowance
- Total beneficiaries

Source: PDI Fund and MLESP

When we consider the structure of beneficiaries according to age groups, we can notice that the percentage of the augmented allowance beneficiaries grows in each consecutive age group (i.e. that the percentage of the increased allowance beneficiaries grows with age).

Figure 5 – Structure of beneficiaries of the basic and augmented attendance allowance according to age groups



- augmented
- basic

Source: MLESP

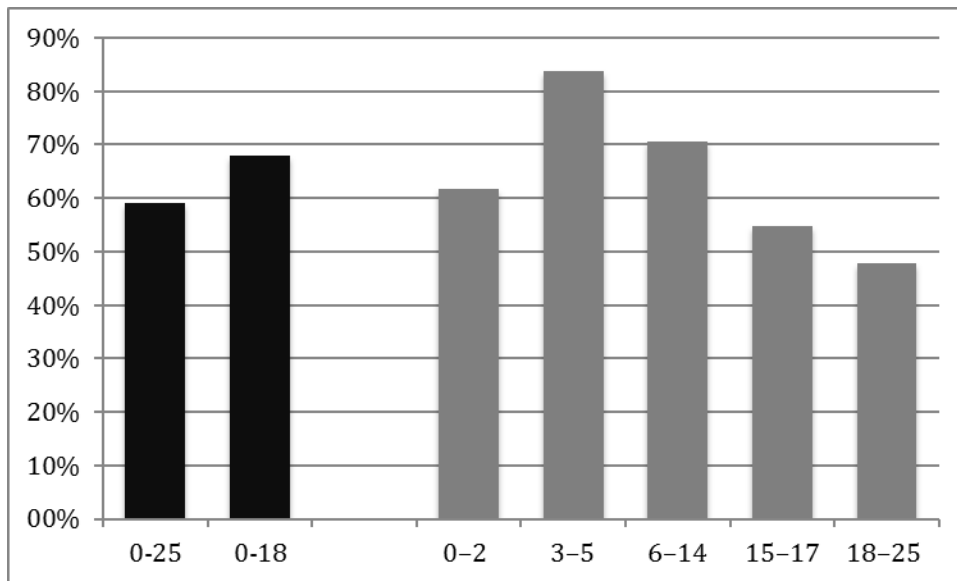
III – Evaluation of the programme (coverage, adequacy) and comparisons

The coverage of children with disabilities² up to 18 years of age with the attendance allowance amount to nearly 70%, and the coverage of children and young people (aged 0-25) is somewhat lower, about 60%.

Even with the increase in the number of beneficiaries aged 18-25, we can still see that the coverage of this age group is the lowest in the beneficiary group of children and young people (Figure 6).

Figure 6 – Coverage of children with disabilities with the right to attendance allowance (basic and augmented)

² In order to determine the coverage with the allowance for assistance and care, it is necessary that the information on the number of children with disability is available. The main source of this information is the 2011 list, but mind that this type of research was carried out for the first time and that the questions are sensitive, and responses often subjective. One should also bear in mind the different definitions of disability – the list uses the functional, while the professional expert body uses the medical definition.

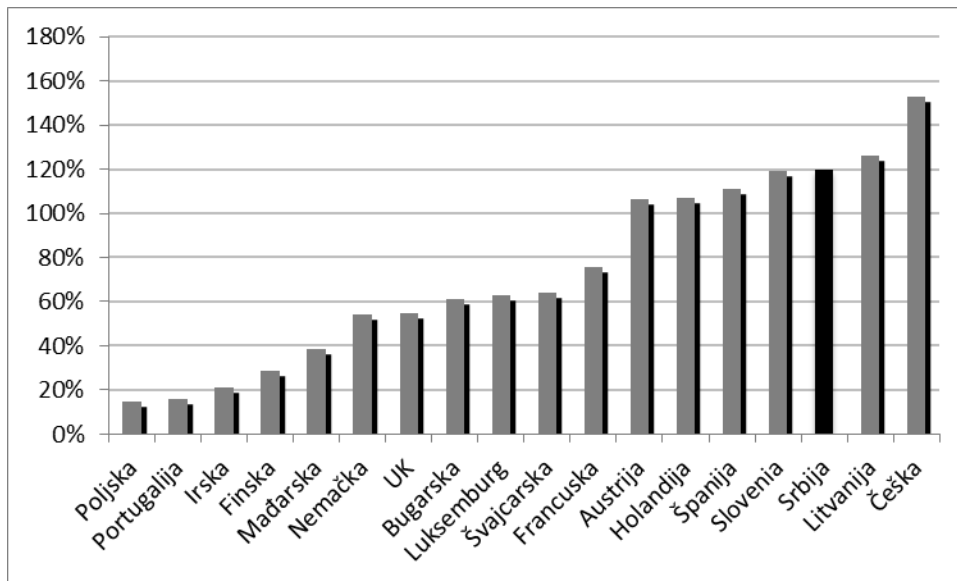


Source: MLESP and Statistical Office of the Republic of Serbia (2011 List)

If we view the allowance as compensation for their parents' "missed earning opportunities", then the **augmented allowance, which was in 2012 about 20% higher than the amount of the net minimum wage, can be considered adequate**, especially having in mind that in 2011, **a special cash benefit was introduced (a type of social pension)** for the parent who is unemployed, and has spent no less than 15 years caring directly for the child who has exercised the right to the augmented attendance allowance.

In comparison with the EU countries that implement cash benefits, the amount of the augmented allowance analysed in relation to the minimum wage belongs to the more generous allowances (Figure 7).

Figure 7 – The amount of the maximum AA (attendance allowance) cash benefits for children in relation to the minimum wage, data for 2012



Poland / Portugal / Ireland / Finland / Hungary / Germany / UK / Bulgaria / Luxemburg / Switzerland / France / Austria / the Netherlands / Spain / Slovenia / Serbia / Lithuania / the Czech Republic

Source: MISSOC tables (2013) and Matković and Stanić (2013) for the amounts of LTC benefits; EUROSTAT for minimum wages (for countries that do not have a statutory minimum wage, e.g. Austria, Germany, Switzerland, sources such as www.wageindicator.org were used)

Note: For Serbia, the calculated amount presents the percentage of benefits in relation to the net wage, since the parents carers are provided with pension.

The evaluation of **adequacy** of the basic allowance is impossible without more precise information about the exact needs that arise from different levels of support, about prices of the appropriate services if it is necessary to pay for them on the market and/or about the availability of services within the social protection system.

IV – Suggestions for improving the programme

- ***The development of social welfare services and inclusive education should be prioritized and present the main mid-term and long-term objective for protection of children with disabilities.*** However, since the social welfare services and inclusive education are still in their early stages of development, cash benefits for long-term care still remain very important.
- ***With regard to the adequacy of the augmented allowance,*** especially combined with the cash benefit for parents in form of social pension, ***there is no room for its further increase.*** However, having in mind that the allowance is indexed with the increase in consumer prices, its amount will at one point be reduced down to the level of minimum wage, and then it should be considered that the allowance be fixed at a certain percentage of the minimum net wage.
- Improving the care cash benefits programme involves a **more detailed analysis of how the Commission of the PDI Fund grants attendance allowance** as well as analysis of the criteria used (medical in relation to functional). In this regard, the suggestion is to **develop criteria and levels (degrees) of dependency** and

accordingly **introduce more levels of benefits between the basic and augmented allowance which would be connected with the levels (degrees) of the necessary support.** The first useful step in this process should be to do a **survey on the type of problems and degree of the necessary support** on a sample of the beneficiaries of the basic allowance for care and assistance, particularly children of pre-school and school age.

- It is necessary to comprehensively examine the cash benefits and services, and also **take into account the possible overlaps with the cash benefits that have the same goal.**
 - *For example, introducing a special compensation for unemployed parents who provide direct care and attendance for the child that requires constant care (there were such initiatives) is unacceptable because the purpose of this benefit actually overlaps with the augmented allowance for assistance and care.*
 - *Similarly, it is necessary to **revise the compensations and benefits received by foster families** caring for children with disabilities. If the allowance for care and assistance presents a compensation for “missed earning opportunities”, and foster families receive a compensation for their work in foster parenting, then the purposes of these two allowances are overlapping.*

BIRTH GRANT

Demographic changes in Serbia have been very unfavourable for decades, and there is an on-going process of depopulation, mainly caused by the insufficient number of births: for about half a century already, the total fertility rate is below the replacement level (lower than the 2.1).

I – Basic features of the programme, amounts and expenditures

Birt grant (parental allowance) is a cash benefit received by the family for their newborn child, which covers the initial costs of supplies for the baby and encourages births. It is the main population policy programme in Serbia.

The right to this allowance is exercised by mothers, citizens of Serbia for their first, second, third and fourth child, under the condition that they care for the child and that they are not deprived of their parental rights.

Criteria – property threshold (immoveable property), other criteria (citizenship, health insurance of parents, residence of parents in Serbia, direct care for the child, etc.)

The amount of birth grant depends on the number of children that a mother had given birth to.

Table 2 – Amounts of birth grant, March 2012.

	RSD	EUR
first child	31.782,03	288
second child	124.279,73	1128
third child	223.693,29	2030
fourth child	298.254,58	2706

Source: MLESP

These amounts are indexed two times a year by the price index. The birth grant for the first child is paid one-off, and for the second, third and fourth child in 24 monthly instalments.

The amount of birth grant for the second, third and fourth child is high considering the current circumstances in Serbia, since it ranges from 3 to 7.5 average incomes.

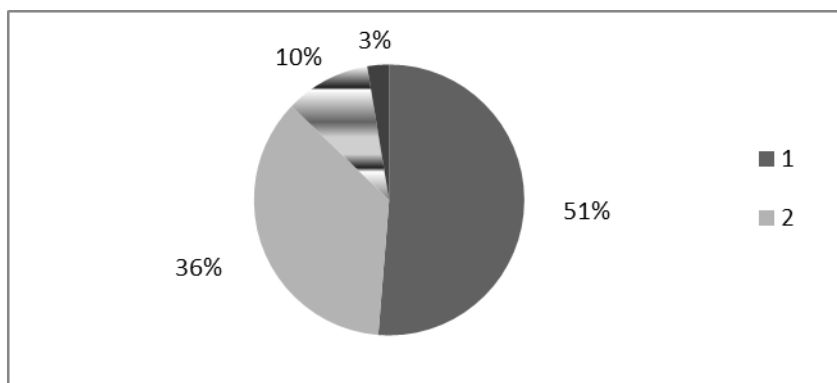
The administering of birth grant is carried out by LSG, and the payment is financed by the national budget.

Total expenditure for birth grant in 2012 had reached 5.7 billion RSD. The largest share in the expenditures was of second-born children, with 49%, followed by third-born with 25%, first-born with 17% and fourth-born with 9% of the total expenditures. In the previous years, the share of the birth grant programme in the GDP of Serbia was about 0.17%.

II – Birth grant beneficiaries

In 2012, birth grant was received by 61.1 thousand children, of which 30.8 thousand as first child with one-off payment, and 30.3 thousand as second, third and fourth child with payment in 24 monthly instalments. This two-year payment artificially increases the number of covered children.

Figure 8 – Structure of children according to the order of birth, 2012.



Source: MLESP

As it is shown above, one half of the covered children are first-born, a little more than one third are second-born and only 3% are fourth-born. These ratios correspond to the vital statistics data, i.e. in Serbia, first-born children make one half of the total number of births.

III – Evaluation of the programme and comparisons

The birth grant programme is very attractive for parents because of the high amounts of allowances, and is efficiently implemented, so the take-up is high.

The coverage of children with birth grant is very high. Thus, in 2011, the coverage for first-born children amounted to 89.1% of all new-borns, while the same for second and third-born children reached 93.3%. The incomplete coverage of the generation of first-born children is probably mainly a consequence of the existence of property threshold, but also a smaller interest in parents, since the amount of birth grant for these children is significantly lower than for others.

One-off birth-related allowances/compensations are common in today's world that is quite concerned about low fertility, and so half of the countries in the developed part of the world (OECD group) employ such mechanisms. In most countries allowances are universal, while in other countries they are targeted. The amounts of allowances vary widely from one country to another – from symbolic to substantial.

The amount of birth grant in Serbia is much higher even in absolute terms (up to 3 thousand euro) than in most European countries which do not implement population policy in this way, but also significantly lower than in those countries that implement a strong pro-birth policy (Russia, Ukraine, up to 10 thousand euro). Econometric studies generally indicate positive results of encouraging birth, followed by growth in fertility.

IV – Suggestions for improving the programme

- **Modify the existing solution on the value of property threshold** by introducing indexation with the price index in order to avoid creation of stricter conditions

and a decrease in the number of beneficiaries of this programme, which is also unnecessary and wrong from the standpoint of its purpose.

- **Restore the initial solution with the one-off payment** instead of the current 24 instalments, which would increase the stimulating aspect of the programme. Young people who are starting a family and have considerable financial needs find the one-off payment much more appealing than the amount they would receive through a large number of instalments.
- **It is necessary to organize a fertility determinants research** in Serbia and, especially, the one of the effects of the financial incentives to birth, which would create a basis for more reliable formulation and evaluation of the propositions from the domain of birth grant and population policy. The experiences from other countries during the previous decade suggest a positive influence, but a separate research for Serbia would be very useful. In particular, it should be examined whether the birth grant for children of higher birth order, especially fourth child, encourages birth only for achieving material gain or if it enables reaching the desired number of children. The remaining issue is that of the population effect of birth grant on the birth of the first child.
- **In long-term, the increase in the amount of birth grant could be taken into consideration** when the economic conditions are better, since the fertility rate would probably be even lower than today. The problem with the reproduction of the population in Serbia is already very serious, and will get worse if, that is when the citizens of Serbia are able to freely or more freely settle in the European Union. The experiences of some newly joined EU countries with the issue of emigration to other EU countries after joining represent a clear warning of the problem.

BIRTH-RELATED LEAVE

I – Basic feature of the programme, amounts and expenses

In Serbia, there are three types of birth-related leaves. **Maternity leave** has the goal to protect the health of mother and child. This right is exercised by every employed woman. It can start no earlier than 45 and no later than 28 days before the day determined for delivery and lasts for three months after the delivery date. Men can use this type of leave only in special cases. **Parental leave** is intended to compensate for the employee's earnings and in this way make it possible to combine work with family life. This leave can be used by both parents and it starts three months after the child birth and lasts until the expiration of 365 days from the day the maternity leave had started (2 years for the third and each subsequent child). The right to **leave for special child care** can be exercised by one of the parents of the child that requires special care because of the high degree of mental and physical disability.

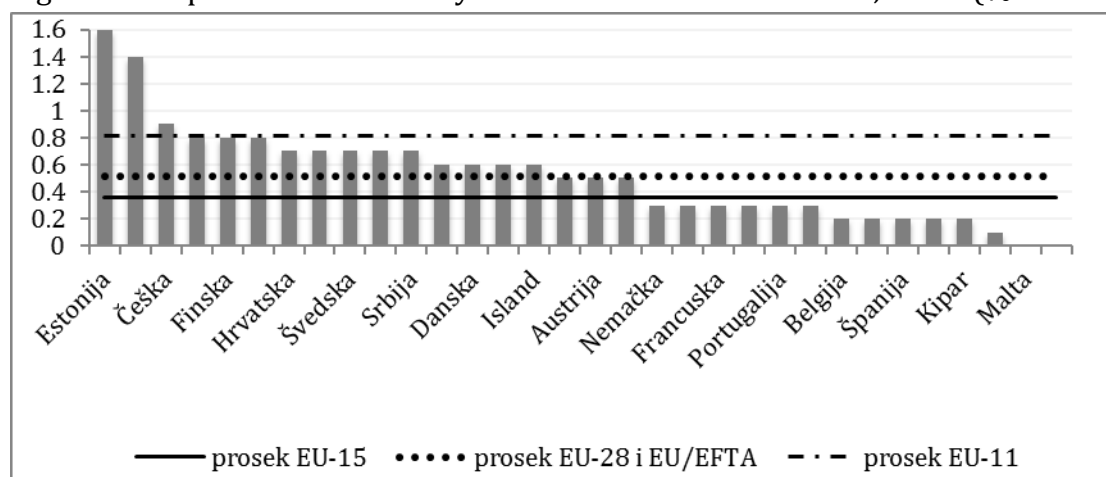
The amount of maternity/parental benefit is determined **by the amount of the average basic salary of the employee for 12 months preceding** the month in which the maternity leave starts.

The full benefit is granted to persons who have been employed or self-employed for more than six consecutive months immediately before the exercise of this right, 60% of compensation to those who have worked 3 to 6 months, while persons who have worked less than 3 months are granted 30% of the compensation.³ Maximum amount of benefit can be **at the most five average monthly incomes** in the Republic.

Total expenditures for maternity/parental leaves, and leaves for special care of the child in 2012 amounted to about 23 billion RSD or 0.67% of GDP.

The share of expenditure for this right in the GDP has doubled in the last ten years. When considering public expenditures and in relation to the EU countries, where there are admittedly very large differences (on one end there are Estonia and Lithuania, which have very high public expenditures for maternity leaves of more than 1.4% of GDP, while Malta and the Netherlands have practically none), Serbia belongs to the group of Scandinavian countries and countries of CEE with high expenditures, of about 0.7 – 0.8% of GDP (Figure 9).

Figure 9 – Expenses for maternity leave and leave for child care, 2010. (% of GDP)



Estonia / Lithuania / the Czech Republic / Slovenia / Finland / Hungary / Croatia / Latvia / Sweden / Norway / Serbia / Bulgaria / Denmark / Slovakia / Iceland / Luxemburg / Austria / Romania / Germany / Greece / France / Poland / Portugal / UK / Belgium / Ireland / Spain / Italy / Cyprus / Switzerland / Malta / the Netherlands

average EU-15 / average EU-28 and EU/EFTA / average EU-11

Source: EUROSTAT; correction for Austria in accordance with Rille-Pfieffer and Dering (2013).

Although Serbia's maternity/parental leave is set in the way that follows the logic of insurance, it is **financed from the budget**, while in the biggest number of countries in Europe it is financed from social security (ILO, 2010). Maternity leave is often a part of

³ In case the person was employed less than 12 months, the compensation of salary is determined by taking 50% of the average monthly salary in the Republic as wage for the months that are missing.

health insurance, and is also financed that way, even in countries where health services are financed from the budget (e.g. Great Britain).

II – Beneficiaries

The total number of beneficiaries of all three types of leave has **significantly increased in the previous ten years** – from about 24 thousand beneficiaries in 2002 to over 36 thousand beneficiaries in 2012 (Table 3), and this in the conditions where the number of childbirths and general employment was in decrease.

Table 3 – The number of beneficiaries of the leave according to the order of birth of the child (average July – December)

	First	Second	Third and more	Total
2002	12.026	8.651	3.390	24.067
2003	12.909	9.258	3.245	25.412
2010	17.593	11.984	4.973	34.550
2011	17.883	12.698	4.921	35.502
2012	18.070	12.799	5.833	36.702

Source: MLESP

This increase can only in part be explained by the extension of leave for third child, which was introduced in 2005.⁴ The remaining increase can be explained by the assumption that the amount of benefit and the regularity of payment present high motivation for employment, even only formally, before the decision about having a child, as well as for formalization of the existent employment. This is confirmed by the information that about 1,700 beneficiaries more than at the beginning of the previous decade are formally employed during pregnancy and that the leave for special care of the child is utilized much more frequently. Also, the demographic statistics indicates that the economic activity and employment of women who give birth to children have been increased.

III – Evaluation of the programme (coverage and adequacy)

Coverage of mothers who gave live births with the compensation for maternity and parental leave reached 50% in 2011, while 10 years ago it was only somewhat above 30%.

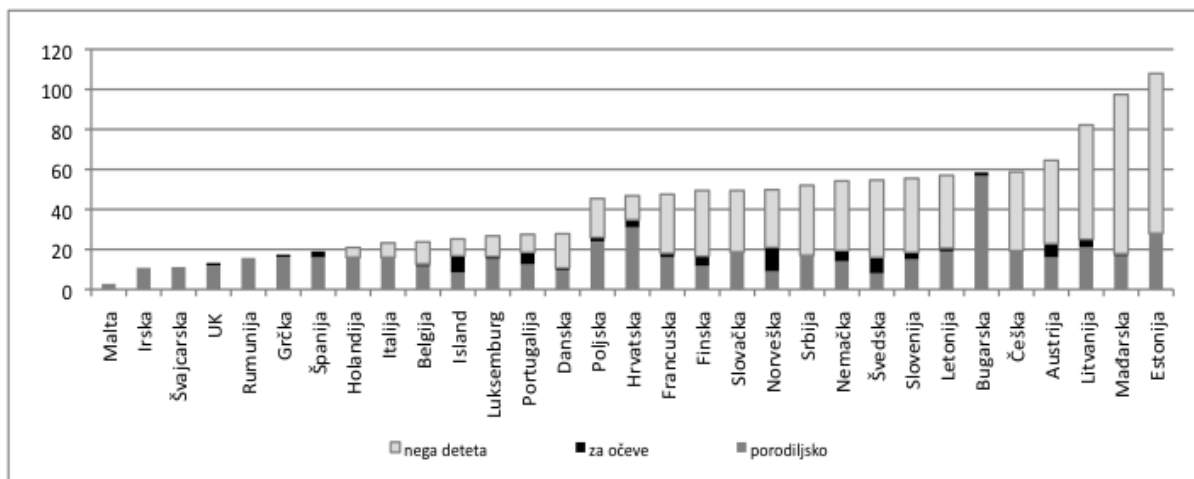
Coverage of the employed women⁵ by maternity and parental leave amounted to 95% in 2011. The remaining 5% can be explained by work in grey economy, agriculture or flexible jobs based on which they could not exercise the right to leave benefit.

⁴ This is the reason why the information is not comparable since the same beneficiary occurs during two years.

⁵ „Employed“ by the definition from the Labour Force Survey (apart from formally employed, it covers those employed in grey economy and agriculture).

Since *adequacy* of birth-related leave is reflected both in the duration of the leave as well as in the amount of the benefit during the leave, OECD has developed the FRE indicator (full rate equivalent), which is calculated by multiplying the total number of weeks of leave with the replacement rate.⁶ **FRE in Serbia amounts to 16.8–18.5 weeks of maternity leave and 33.5–35 weeks of parental leave, total 52 weeks of leave with full compensation.**

Figure 10 – Total number of FRE weeks paid by the state



Malta / Ireland / Switzerland / UK / Romania / Greece / Spain / the Netherlands / Italy / Belgium / Iceland / Luxembourg / Portugal / Denmark / Poland / Croatia / France / Finland / Slovakia / Norway / Serbia / Germany / Sweden / Slovenia / Latvia / Bulgaria / the Czech Republic / Austria / Lithuania / Hungary / Estonia

child care / for fathers / maternity leave

Source: OECD family database, MISSOC and ILO database for Ireland, ILO database for Croatia; BMWF for the absence of fathers in Austria.

Birth related leave in Serbia is one of the more generous systems in Europe, and so Serbia belongs to a group of countries together with the CEE countries, the Scandinavian countries and Germany.

IV – Suggestions for improving the programme

1. Improvements within the existing system

- **Improve the method of calculating leave benefit** by limiting the growth of earnings during the 12 months prior to the commencement of leave and revising the method

⁶ The amount of benefit (payment) during leave expressed as a percentage of her/his income.

of calculating benefit for those women working less than 12 months prior to the commencement of leave (for example, so that the benefit is determined by the amount of minimum wage).

- **Enable exercising the right to compensation to persons with flexible employment** (work contract, author's fee royalties and the like).
- **Tighten the criteria for granting leave for special care of the child** and particularly solve the issue with commissions entitled to grant this right (for example, this evaluation should be carried out in the expert bodies of the PDI Fund, and the MLESP should bear the costs of temporary engagement of additional experts specialized in children of the youngest age).
- **Revise the two-year leave for third and each consecutive new-born child** – shorten the leave or reduce the replacement rate, which means that the amount of compensation should be for example 80%, not 100% of income after the first 365 days of leave have expired.
- **Ensure the collection of data on leaves in a single** information system in order to prevent possible fraud, as well as for analytical purposes.

2. More flexible and innovative possibilities of using leave for child care

- **The possibility to choose different combinations of the duration of leave and the benefit level** (for example, the choice between leave for child care of 8 months with 100% of the parent's earnings replacement or of 12 months with 67% of the earnings replacement).
- **Consider introducing the possibility to choose a combination of part-time work and lower leave benefit level, but with mandatory consent of the employer.** This practically means receiving a lower amount of compensation for a longer period of time.
- **Consider introducing "daddy quota".** Such quota could be introduced in the existent number of weeks of leave in Serbia, in duration of at least 4 weeks, and it would have a double effect – it would result in more fathers using the leave, but it would also result in some savings regarding expenditures since fathers would surely use this right significantly less than mothers.

3. Method of financing maternity leave

- **Consider financing through contributions** and in this regard, the "maximum" of 5 average incomes. This issue should be considered within the possible change of the entire social security financing system and taxation of earnings.
- **Consolidation of different types of leaves for child care.** Consider one overall leave that can be used in the period of several years in parts, and which combines birth-related leaves and leaves financed from the health insurance.

MAJOR FINDINGS

In Serbia, approximately 400 thousand children (31.7% of the total number of children in 2011) are protected through cash benefits aimed at poor children and children with disabilities.

Moreover, nearly 60 thousand families receive birth grant, and 36.7 thousand beneficiaries are granted birth-related leave benefit.

Coverage of beneficiaries can be evaluated as unsatisfactory especially when it comes to cash benefits for the poor.

Coverage of the poor with the right to financial social assistance in Serbia is still low, while the coverage with child allowance is more complete.

Analysis of **targeting** in the sense of “leakage” of resources indicates that the inclusion error primarily occurs in the child allowance programme.

Adequacy of benefits targeting the poor is, in term of satisfying minimum needs, barely acceptable, and this only **cumulatively** and for certain types of families and depending on the age of the children.

Cumulative amounts of state assistance (for FSA and child allowance together) reach the level which allows crossing the threshold of absolute poverty only in the case of families that exercise the right to increased allowance (such as single-parent families and families where all members are unable to work).

In order to cross the threshold of absolute poverty, the families with both parents who are able to work would have to, depending on the number of children, receive between a third and a half larger cumulative state assistance in the form of child allowance and FSA.

Thanks to the birth grant, families with both parents, during the two years after the birth of their third or fourth child, are also granted cumulative benefits from state assistance that is above poverty line.

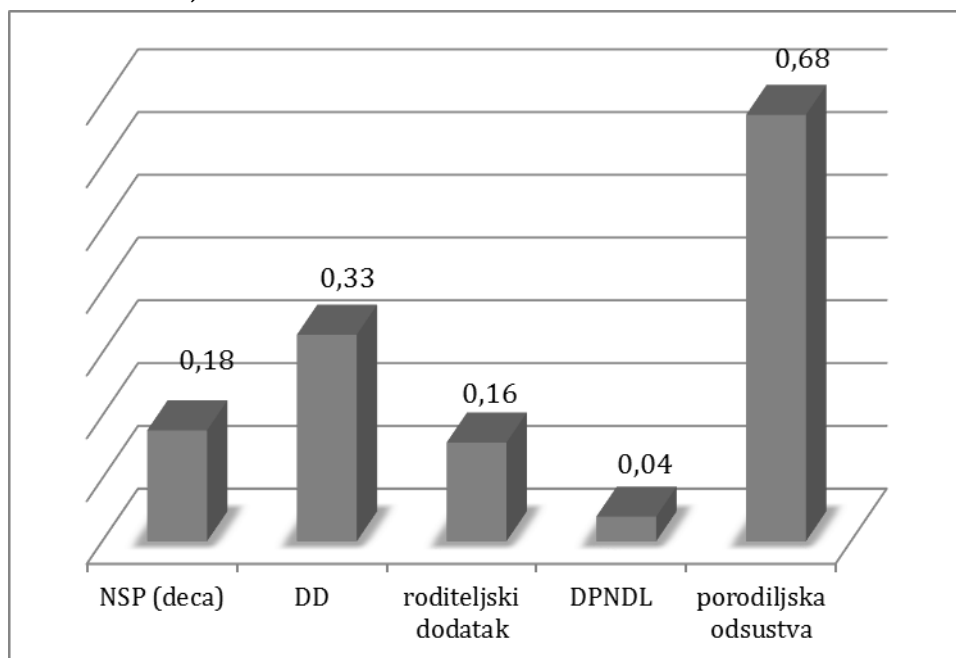
Comparatively speaking, the amounts of birth grant are unusually high, while the amounts of benefit and the duration of the maternity/parental leave are at the adequate level (in fact, they are among the more generous systems).

The increased attendance allowance, which is somewhat higher than the amount of net minimum wage, is also at the adequate level, especially having in mind the benefit in the form of the so-called social pension for parents of children users of this allowance.

In Serbia, **annual expenditures for cash benefits that are directly determined by the presence of children** amount to over 46.8 billion RSD, nearly 1.4% of GDP, mostly

within the function family/children⁷ (1.2%). The largest share of the expenditures is related to compensation of income during birth-related leave, and a little over a third of the total expenditures (36.6%) are for the means tested benefits targeting the poor.

Figure 11 – The share of expenditures in GDP for cash benefits for children and families with children, 2012.



FSA (children) / child allowance / birth grant / AA / maternity-parental leaves

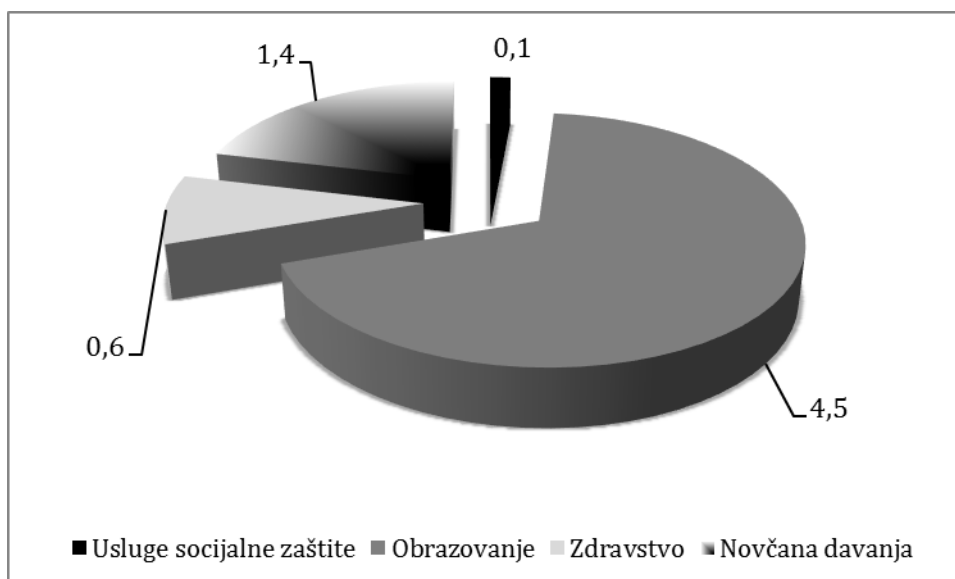
Source: Ministry of Labour, Employment and Social Policy and the Ministry of Finance

When compared to the EU countries, expenditures as a percent of GDP for the family/children function is below average. In Serbia, expenditures for child allowance are lower, while it is higher for birth grant and birth-related leave benefit. If the data for Serbia are compared only with the data of countries in transition, the share of expenditures in GDP for the birth-related leave benefits is not higher.

Rough estimates indicate that in Serbia public expenditures for children in the social sector could amount to approximately 6.6% of GDP, if in addition to cash benefits, we also take into account the social care services, education and the estimated expenses for the health care of children. Cash benefits for children and families with children make about one fifth of the total expenditures for children.

Figure 12 – The share of expenses in GDP for allowances and services for children in the social sector, 2012.

⁷ For the definition of the function family/children, see Eurostat Manual (Eurostat, 2012).



Social care services / Education / Health care / Cash benefits

Source: Ministry of Labour, Employment and Social Policy and the Ministry of Finance

Analysis of the „benefit package for children“ allows insight into how much the state in fact compensates for the expenses of raising children. Among the 21 countries of Central and Eastern Europe and the Commonwealth of Independent States, Serbia is one of the five countries where the „benefit package for children“ received by families with two children is higher than the net income of a couple without children.

Finally, what remains is the outcome which is clear in Serbia, and that is the fact that the families with children and children are poorer than the average, as well as that the birth rate is low, which certainly opens room for suggestions and review of social policy.