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Social Security Spending in South Eastern Europe:
A Comparative Review

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Table of Contents

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Foreword

This volume presents the results of an ILO *Social Security Inquiry*[1] in the countries of South Eastern Europe, designed to compare their spending levels, the coverage of national populations, the range and level of benefits provided, and available evidence on the effect of social security in reducing inequality and poverty.[2] The Inquiry was undertaken as a part of the ILO project, *Strengthening Social Protection in Southeast Europe,* which is being carried out with support from the Government of France under the auspices of the Social Cohesion Initiative (SCI) of the Stability Pact for South Eastern Europe. The SCI coordinates international support, both technical and financial, aimed at social reconstruction in the region following the turmoil of the 1990s. The project research component, of which this analysis is part, examines the impact of social security reforms undertaken to address new needs and promote economic recovery. The studies examine both social policy formation and consequent experience with implementation of legislated reforms. Their broad objective is to provide countries considering reform with information on the recent experience and policy results of neighbours facing similar issues. Through these studies, in association with technical support, we also seek to empower the government's social partners as participants in the social policy process.

The Inquiry is one of several project research initiatives. Other volumes in this series focus on: 1) improving the collection of pension contributions;

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[1] The *Social Security Inquiry* was developed by the ILO Social Security Department in Geneva. It responds to the lack of social security statistics outside the OECD world and aims at collecting comparable data as well as at promoting common statistical standards, which all institutions administering or supervising social security schemes should follow in order to ensure good governance in the field of social policy.

[2] The countries of the Stability Pact for South Eastern Europe are Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Moldova, Romania, and Serbia and Montenegro.

2) strengthening the delivery of social services to persons in need; 3) strategies for enabling persons with disabilities to engage in rehabilitation and gainful employment; and 4) the role of social dialogue in shaping pension reforms. The first two of these were published in 2004. The third and fourth will be published in the fall of 2005.

The countries of South Eastern Europe have a pressing need for accurate and up-to-date social security statistics. Such statistics are essential for exchange of information and coordination among countries where there has been heavy migration in recent years. In addition, those countries planning to join the European Union need to improve and standardize their social security recordkeeping, in keeping with ESSPROS requirements. To support these efforts, we provided a team of national experts with training in the use of the ILO standardized questionnaire, *Social Security Inquiry*. We also supported them as they used the questionnaire to create a detailed blueprint of social security in their countries.

The results of this Inquiry are presented here in three parts:

- Section 1 provides a broad picture of social expenditures across the region following a comparative line. It examines expenditures by the function that they fulfill – e.g., replacing lost income arising from old age, disability, unemployment, sickness, birth of a child, etc.
- Section 2 compares the extent of coverage of the social security systems and the adequacy of particular benefits.
- Section 3 provides a brief, country-by-country review of national social security systems. Here emphasis is placed on the institutional structure which delivers benefits and the expenditures and revenues of the schemes.
- A set of appendices addresses some technical issues, including the varying definitions of poverty across the region and ILO definition of employment, as well as providing a comprehensive listing of national social security schemes.

We hope that these comparisons will provide useful inputs for social security reform deliberations across the region. At the same time, we note two weaknesses in this analysis. First, some figures obtained by our national experts directly from their social security institutions differ from those of other statistical sources, such as the European Union, the World Bank, the International Monetary Fund, the World Health Organization, and the ILO's database on labour statistics. In most cases, the discrepancies are of minor significance and result from the normal re-estimating process; in others, they are significant and without ready explanation. We have searched comprehensively for such differences and, whenever we found them, described them in footnotes. In this way, the report reveals the major uncertainties and provides a sense of their magnitude.

A second limitation relates to gaps in existing statistics. In some Stability Pact countries, social security institutions do no keep statistical records on basic scheme parameters, such as number of beneficiaries or average benefit paid, or do not make these records available. In other cases, existing records do not identify basic characteristics of scheme beneficiaries, such as their age and sex. Without this information, it is difficult to use scheme statistics to assess the impacts of social spending, to identify excluded groups or unmet needs, or to design new reforms. Because gaps in social security statistics pose a significant barrier to policymaking in the region, they should be addressed by governments as a high priority.

This Inquiry is the work of many individuals, all of whom are listed on the Contributors page. We extend our warm thanks to them for their cooperation and perseverance in this very detailed exercise. We owe a special expression of gratitude to Róbert Gál, the principal analyst and author of this report. It is his meticulous work that gives this publication its distinctiveness.

Finally, we thank the French Ministry of Social Affairs, Labour, and Solidarity for its financial support for this project. The ILO appreciates the commitment of the French Government to supporting the recovery of South Eastern Europe and values its understanding of the significance of social security for social cohesion.

We hope that this volume will prove useful to policy makers and their social partners in casting light on the level and impact of regional social security spending. We also hope that the clear weaknesses identified in its pages will be seen by readers as a cause for prompt action to improve regional social security statistics.

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Note on Methodology

The branches of social security covered in the this *Social Security Inquiry* encompass those classified in ILO Convention No. 102 and ILO Recommendations Nos. 67 and 69, namely:

- Old age
- Disability
- Survivors
- Sickness and health
- Unemployment
- Employment injury
- Family/children
- Maternity
- Housing
- Basic education[3]
- Other income support and assistance not elsewhere classified.

The Inquiry focuses on two levels, the country as a whole and individual social security schemes. On the national level, each consultant collected relevant data from the Ministry of Labour and/or Welfare and from the Ministry of Finance using ILO Inquiry questionnaires designed for this purpose. The questionnaire for the Ministry of Finance (MF) describes social expenditures and revenues by standards applicable in the country in question. Two different standards were used: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia and Montenegro reported according to the 1986 IMF Government Finance Statistics (IMF GFS), and Moldova, Romania and Serbia reported

[3] Covers the social security functions of the education system (such as food for poor children, text books, etc).

according to the 2001 IMF GFS standards. Albania also provided data on expenditures and revenues following the ESSPROS/Eurostat standard. In addition to social spending, the MF questionnaire also contains figures on major macroeconomic variables such as the GDP and the rate of inflation.

The questionnaire for the Ministry of Labour and/or Welfare (ML) focuses on the legal structure of the social security system and lists the social security schemes of the country. It includes basic background data on demography, employment, and wages.

Scheme questionnaires (SQs) were completed for each social security scheme. A scheme is defined, following ESSPROS approach, as "… a distinct body of rules, supported by one or more institutional units … governing the provision of social security benefits and their financing".[4] Schemes are not themselves institutional units; one institution may administer more than one scheme. The schemes covered are those that:

- provide benefit to address one of the needs or contingencies listed above,
- are established by legislation, which attributes specified rights to, or which imposes specified obligations on, a public, semi public, or autonomous body, and
- are administered by a public, semi public or autonomous body, which has been set up by legislation. (Administration may also be provided by a private body, which has been commissioned to execute legally defined obligations.)[5]

The scheme questionnaires describe coverage, expenditures, revenues, and contributors. They also collect information on each benefit of the scheme, including the total expenditure, its main objective, whether it is basic or supplementary, contributory or non-contributory, periodic or one-off, cash or in-kind, means-tested or not, and some other features. The scheme questionnaires also include details on the number of recipients of each benefit and the benefit levels, eligibility criteria, guaranteed minima, rules for means testing, and some further information.

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[4] Eurostat. (1996). *ESSPROS Manual*, Luxembourg. (p.19).

[5] ILO. (2004). *Social Secuity Inquiry Manual,* Geneva and Budapest. (p.24).

The national experts who participated in the project research team completed 79 scheme questionnaires for the region, including one MF and one ML questionnaire for each country, with the exception of Bosnia and Herzegovina, where the two entities have separate Ministries of Labour. Bosnia and Herzegovina is an exception in another respect in that, due to the complex government structure, no scheme questionnaires could be filled out. The questionnaires reflect the 2003 situation unless otherwise stated.

Chapter 1
Regional Comparison of Expenditures on Social Security

1. Background

Because all social security systems are affected by the strength of the economies in which they operate, their labour markets, and the demographic situation, these contextual variables are the starting point for this analysis.

All the Stability Pact countries belong to the group of lower middle income countries in the World Bank classification, with the exceptions of Croatia, which is classified as upper middle income, and Moldova, which is a low income country. Despite the considerable difference in income levels between Western Europe and South Eastern Europe, the latter group of countries is also made up of modern societies in which the bulk of economic and social activity takes place outside the household. The 55 million people of the region produced slightly less than US$150 billion GDP (based on exchange rate) in 2003.[6] The entire region showed clear signs of an economic recovery. Even the slowest pace of GDP growth, i.e. that of Serbia and Montenegro, was 2.1 percent. Growth rates in Bulgaria, Croatia, and Romania were above 4 percent; in Albania and Moldova, above 6 percent (see Table 1).[7]

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[6] Calculated from the World Bank (www.worldbank.org) *Country Briefs*. A combined GDP based on purchasing power parity (PPP) is probably much higher; however, regional data are not calculated for PPP.

[7] Different sources suggest different figures in some cases. For example, the *Economic Survey of Europe* (2005/1) of the United Nations reports a 1.5 percent growth of GDP

Table 1
Economic indicators, 2003

	Per capita GDP, based on exchange rate[1] [US$]	Per capita GDP, based on purchasing power parity[2] [US$]	Annual growth of GDP[3]	Consumer price index[4]
Albania	1,955	n.a.	6.0	3.3
Bosnia and Herzegovina	1,852	6,100	3.2	1.3
Bulgaria	2,538	7,600	4.3	5.6
Croatia	6,409	10,600	4.3	1.8
Macedonia	2,243	6,700	3.2	1.2
Moldova	554	1,800	6.3	11.6
Romania	2,554	7,700	4.9	6.7
Serbia and Montenegro	2,569	n.a.	2.1	15.3
Total	2,654	n.a.	n.a.	7.8

Sources:
1. National statistics (national statistical offices: Bosnia and Herzegovina, Bulgaria, Macedonia; Ministries of Finance: Croatia, Serbia), international sources (Deutsche Bank Research: Romania, World Bank: Albania, Moldova).
2. CIA. (2003). *The World Factbook*.
3. UN (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Moldova, Romania), national statistics (Macedonia, Serbia and Montenegro).
4. ILO *Social Security Inquiry* ML questionnaires.

The region is less uniform in demography (see Table 2). Although the demographic dependency ratio (the rate of children and the elderly, combined, to those in the active period of their life-cycle) does not vary much (the range is 45–55 percent, as shown in Table 2, column 3), the rate of children to

in 2003 for Serbia and Montenegro as against 3.0 percent stated by the World Bank and 2.1 percent by the *Statistical Yearbook* of the Serbia and Montenegro Statistical Office. As a rule, this report uses official national statistics wherever they were available and turns to international sources if national data were not accessible. As an exception, we rely on international sources if differences in methodology do not allow a direct comparison of national figures.

the elderly differs considerably across countries. In Albania, the number of children exceeds the number of the elderly by 3.4 times; in Montenegro, by 3; in Macedonia and Moldova, by 2. By contrast, in Bulgaria and Serbia the elderly population is larger than the child population. In Croatia and Romania, the two are equal.

Since older women living in single households have usually high poverty risk, the ratio of elderly women to men is an important demographic feature for social security systems. Across the entire region, the number of elderly women (i.e., age 65 and older) exceeds that of men by 41 percent. However, this average masks considerable variation. The excess is only 13 percent in Albania, but it is 55 percent in Macedonia, 60 percent in Croatia, and 66 percent in Moldova.

Table 2
Demography, 2003

	Total population [million]	Demographic dependency ratio[1]	Children/elderly	Percentage by which females exceed males in the 65+ population
Albania	3.1	55	3.4	13
Bosnia and Herzegovina	3.8	n.a.	n.a.	n.a.
Bulgaria	7.8	45	0.8	39
Croatia	4.4	49	1.0	60
Macedonia[2]	2.0	46	2.0	22
Moldova	3.6	42	2.0	66
Montenegro	0.6	51	3.0	55
Romania	21.7	45	1.1	43
Serbia[2]	7.5	49	0.9	36
Total	54.9	46[3]	1.2	41

Sources: National statistics, UN (Bosnia and Herzegovina).

Notes:
1. (Children + elderly)/population in active age; children: <15, elderly: 65+; active age: 15–64.
2. 2002 data.
3. Macedonia and Serbia: 2002 data.

The overall economic growth experienced in 2003 was not matched with an expansion in employment (compare Tables 1 and 3). While economic growth ranged from 2.1 to 6 percent, the number of the employed grew by only around 1 percent in Albania, Bulgaria, and Croatia and declined in all other countries. In Serbia and Macedonia, the decline was about 3 percent, in Moldova, nearly 10 percent.[8]

The combination of rapid growth of the economy and stagnating or falling employment usually induces an increase in average wages. Indeed, this can be observed in the Stability Pact countries. As shown in Table 3 (column 5), real wages, measured in local currencies, grew in all countries, though with much variation. In Bulgaria, wages of those employees who worked under labour contracts showed only a tiny increase, whereas in Moldova and Serbia wages grew at double-digit rates.

In general, the employment rate varied between 41 percent in Macedonia and 61 percent in Romania.[9] This was mirrored in the rate of unemployment, though it must be recognized that unemployment figures vary greatly because of differing definitions of unemployment. Albania, Bulgaria, Croatia, and Serbia are all struggling with unemployment rates of around 15 percent. The

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[8] Due to methodological differences among the national labour statistics, these figures are drawn from a comparative database, the *ILO Labour Statistics*. This helps to achieve consistency within the data set, but caution is still warranted as the ILO data differ from some other sources. For example, in the case of Croatia, the ILO data shows a 0.6 percent growth rate, while the *Economic Survey of Europe* of the UN as well as the *Statistical Information,* (2004) of CROSTAT, the Croatian Bureau of Statistics, indicate 2.5 percent growth. This growth applies to the aggregate of the following categories: paid employment in legal entities, persons in employment in crafts and trades, freelancers, and insured private farmers (see CROSTAT. (2004). *Statistical Information*, p.24). For employment data of the Labour Force Survey, see the same publication, p.29. For Serbia, the Statistical Office, and on this basis, the UN database, suggests a slower pace of contraction in employment, –1.3 percent, than the ILO's –2.8 percent. These inconsistencies are due to differences in definitions of employment.

[9] That is, the employment rate measured as the ratio of the number of employed, by the ILO definition, to the total population in the 15–64 age bracket. The ILO definition of employment is discussed in Annex 2.

corresponding rate in Macedonia is 37 percent; and in Bosnia and Herzegovina, it exceeds 40 percent. These are figures of self-reported unemployment from national Labour Force Surveys. Rates of registered unemployment are higher still in Croatia and Serbia. This may be explained by the fact that the social security system pays some social benefits to the registered unemployed even if they are not eligible for unemployment benefit.

Table 3
Labour market, 2003

	Employment rate[1] [%]	Unemployment[2] [%]	Growth of employment[3] [%]	Real wage growth[4] [%]
Albania	46	15	0.8	5.0
Bosnia and Herzegovina	n.a.	42	n.a.	7.8[5]
Bulgaria	53	14	1.2	0.5[6]
Croatia	51	14	0.6	2.9
Macedonia	41[7]	37	–2.9	3.6
Moldova	53	8	–9.9	15.4
Romania	61	7	–0.1	7.2
Serbia and Montenegro	59[7]	15	–2.8	16.2[8]

Notes:

1. Employed/total population 15–64. Source: *ILO Labour Statistics*.
2. Unemployed in Labour Force Survey/economically active population. Source: *ILO Labour Statistics*, ILO *Social Security Inquiry* (Bosnia and Herzegovina).
3. Increase of the number of employed from 2002 to 2003. Source: *ILO Labour Statistics*.
4. Increase of average gross wage, CPI adjusted, from 2002 to 2003. Source: *ILO Labour Statistics* (Moldova, Macedonia), ILO *Social Security Inquiry* (Albania, Bosnia and Herzegovina), national statistics (Bulgaria, Croatia, Romania, Serbia).
5. Only Republika Srpska.
6. Employees under labour contract.
7. 2002 data.
8. Only Serbia.

As will be seen in the following sections, this combination of low rates of activity and high unemployment is placing enormous pressure on social security systems, creating a need for them to pay benefits to people during their active age period when they would otherwise be contributors to the system.

2. Social Security Expenditures

In 2003, the countries of South Eastern Europe (excluding Bosnia and Herzegovina and Macedonia) devoted about 22 percent of their collective GDP to government-financed social expenditures.[10] (See Table 4.) This amount includes expenses on social security, broadly defined, and education. A significant variation can be seen around the regional average. There seems to be a clear divide between the former Yugoslav republics and the rest of the region. Croatia, Montenegro, and Serbia spend 31, 29 and 24 percent of their GDPs, respectively. Moldova and Albania spend below 20 percent.[11]

Only the expenses of the consolidated general government are covered in Table 4; private sector expenditures are not included. This can make a difference, for instance, in health expenses.[12] The "general government" category includes the central government, the state/provincial/cantonal governments, and local governments. The central government in turn includes the budgetary central government, extra-budgetary funds, and social security funds. Social transfers flowing among the different branches are netted out.

[10] The Croatian figure is for 2001.

[11] For some countries, the IMF *Government Finance Statistics Yearbook* (2004) contains comparable data, which reveal the same broad pattern but with minor deviations from the figures in Table 4.

	Health	Other social security	Total social security	Education	Total social expenditure
Bulgaria	4.9	14.0	18.9	4.4	23.3
Moldova	3.6	9.3	13.0	6.5	19.5

[12] This point is further addressed below.

Table 4
Social expenditure of the general government, as a % of GDP, 2003

	Health	Other social protection[1]	Total social protection	Education[2]	Total social expenditure	Total general government expenditure[3]
Albania	2.1	6.7	8.8	2.9	11.7	27.0
Bosnia and Herzegovina	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Bulgaria	4.4	13.2	17.6	3.9	21.5	37.6
Croatia[4]	7.2	19.3	26.5	4.2	30.7	49.5
Macedonia	n.a.	n.a.	n.a.	n.a.	n.a.	25.4
Moldova	3.2	9.3	12.6	5.6	18.2	30.3
Montenegro	7.3	15.7	23.0	5.9	28.9	n.a.
Romania	6.4	9.6	16.1	4.0	20.1	38.9
Serbia	5.6	15.3	20.9	3.5	24.4	46.6

Sources: ILO *Social Security Inquiry* ML questionnaires except for Croatia.

Notes:
1. All non-health social security functions, such as old age, disability, survivors, unemployment, employment injury, family/children, maternity, housing and other income support and assistance not elsewhere classified.
2. Includes all education expenditures, not just social security aspects.
3. ILO *Social Security Inquiry* MF questionnaires (Albania, Macedonia, Moldova, Romania, Serbia), national statistics (Bulgaria, Croatia). In this column the Croatian figure refers to 2003.
4. Due to lack of recent data and data on local governments, Croatian figures are taken from the IMF *Government Finance Statistics Yearbook* (2004), for 2001 covering the central government and local governments.

The second column of Table 4 shows spending on public health. Together the countries of the region spent about 6 percent of their combined GDP on public health. Montenegro and Croatia had the greatest ratio, 7.3 and 7.2 percent, respectively. Albania, by contrast, allocated only 2.1 percent of its GDP for public health. These are, of course, public expenses. Private spending on health is presented in Table 5. The table reveals the main reason for variation in the relative health expenditures in Table 4. The total health budget of Albania includes only 39 percent from public sources. Bosnia and Herzegovina, Bulgaria, and Moldova also make heavy private expenditures. By contrast, Romania, Croatia, and Macedonia finance at or around 80 percent of the total health budget from the general government. Private finance almost exclusively means out-of-pocket payment by households (see column 3 of Table 5). Private prepaid and risk-pooling plans play a noticeable (if declining) role only in Romania.[13]

Table 5
General government expenditure as a % of total expenditure and private out-of-pocket payments as a % of all private payments, 2002

	General government expenditure on health as percent of total expenditure	Private households' out-of-pocket payments as percent of private sector expenditure
Albania	39	100
Bosnia and Herzegovina	50	100
Bulgaria	53	98
Croatia	81	100
Macedonia	85	100
Moldova	58	100
Romania	79	92
Serbia and Montenegro	63	n.a.

Source: WHO.

[13] Another important element in health care financing not captured by this survey is the so-called gratitude payments, or informal payments required of health care users in order to access services guaranteed by law. Existing evidence indicates that gratitude payments are significant in South Eastern Europe, as well as in the new EU member states. For example, the World Bank *World Development Report* of 1993 estimated that 25 percent of health care expenditures in Romania were from out-of-pocket payments and gratuities. See Marc, A. and Kudatgobilik, Z. (2002). *Poverty and Informality in South East Europe*, a World Bank paper prepared for the Round Table Conference on "The Informal Economy in the EU Accession Countries ..." Sofia, Bulgaria, April 2002.

While health spending is considerable, it is exceeded by non-health social security programs in all countries (see Table 4, second and third columns). In contrast with both health and education that are mainly in-kind programs in which public institutions are service providers, non-health social security consists mainly of cash transfers. The level varies across the region between 48 and 64 percent of total social expenditures (see Table 6).

Table 6
Non-health social security programs, 2003 [%]

	Share of non-health social security programs in total social expenditures
Albania	57
Bosnia and Herzegovina	n.a.
Bulgaria	61
Croatia[1]	64
Macedonia	n.a.
Moldova	51
Montenegro	54
Romania	48
Serbia	63

Source: ILO *Social Security Inquiry* MF questionnaires.

Note: 1. 2001 data.

A large portion of these non-health social security benefits is meant to address needs and risks arising from demographic events, such as giving birth, raising children, losing a spouse or a parent, and growing old. The scheme questionnaires of the *Social Security Inquiry* allow the separation of benefits by these demographic functions. Table 7 presents the portion of spending devoted to each of these functions in non-health social security benefits. The group of child-related benefits was created by combining three functions of the ILO classification, namely, family and children, maternity, and the social security functions of the education system (such as food for poor children, free schoolbooks, etc).

Table 7
Demographic component of non-health social security benefits [%]

	Share of … in non-health social security benefits			Total
	child related benefits[1]	old age benefits[2]	survivorship[3] benefits	
Albania	1	61	5	68
Bosnia and Herzegovina	n.a.	n.a.	n.a.	n.a.
Bulgaria	8	66	1	75
Croatia	n.a.	n.a.	n.a.	n.a.
Macedonia	n.a.	n.a.	n.a.	n.a.
Moldova	5	61	3	68
Montenegro	5	42	16	63
Romania	6	55	10	71
Serbia	9	44	14	68

Source: Functional classification of benefits in the ILO *Social Security Inquiry* scheme questionnaires.

Notes:
1. Child related benefits: benefits in the following categories of the ILO functional classification: family and children, maternity and basic education.
2. Old age category of the ILO functional classification.
3. Survivors category of the ILO functional classification.

As can be seen, spending to cover needs and risks arising from these demographic events comprises the majority of non-health spending in all countries for which we have data (final column). Protection from lost income caused by old age is the single largest function (column 3). Its share is above 60 percent in Albania, Bulgaria, and Moldova. In Romania it still represents a majority of expenses, at 55 percent. Montenegro and Serbia have relatively lower shares, 42 percent and 44 percent, respectively, but they have the highest rates for survivorship benefits, 16 percent and 14 percent, respectively. Child benefits are much smaller (column 2). Their share among non-health social security benefits ranges from 1 percent in Albania and 9 percent in Serbia. It is noteworthy that they are the highest in the two countries where the child population is smaller in size than the elderly population, Bulgaria and Serbia (see column 4 of Table 2).

Chapter 2
Regional Comparisons of Coverage, Adequacy, and Impact on Poverty

How effective are the region's social security systems in addressing the needs and risks listed previously? This chapter tries to address this question. It begins with the components of the system that deal with the labour market shocks that hit the region in the 1990s, namely unemployment, early retirement, and disability schemes.[14] Following this, it examines the coverage and adequacy of protection for the elderly and for children. Finally, the chapter considers available evidence of the overall effect of social security spending in alleviating poverty in South Eastern Europe.

Unemployment measured by Labour Force Surveys can differ significantly from registered unemployment, as shown in the second column of Table 8. Although the two definitions captured nearly the same number of people for the region as a whole, or slightly below 2.6 million (out of an economically active population of 22.3 million), the coincidence varies widely from country to country. In the former Yugoslav republics there appears a significant inflation in the registered unemployment figure compared to self-reported unemployment. In particular in Serbia and Montenegro, registered unemployment exceeds self-reported unemployment by more than 80 percent.

[14] Disability schemes principally cover the risks of income loss in active age due to deteriorating health; in many countries, however, they also serve as a cushion for the labour market, absorbing high unemployment.

Croatia and Macedonia, too, have high over registration, 29 percent and 22 percent, respectively. This is not explained by high replacement rates of the unemployment benefit, shown below, but by the particularities of benefit rules. Namely, registration in the unemployment office gives access to other social benefits.

Table 8
Registered unemployed and recipients of unemployment benefit

	Registered unemployed as a % of unemployed in Labour Force Survey[1]			Registered unemployed as a % of economically active population[2]	Recipients of unemployment benefit as a % of unemployed in Labour Market Survey[3]
	Total	Male	Female		
Albania	98	98	99	15	8
Bosnia and Herzegovina	n.a.	n.a.	n.a.	n.a.	n.a.
Bulgaria	n.a.	n.a.	n.a.	n.a.	21
Croatia	129	110	148	18	27
Macedonia	122	113	135	45	15
Moldova	17	15	20	1	7
Romania	95	91	101	7	43
Serbia and Montenegro	181	151	218	25	15
Total	101	89	115	n.a.	24

Sources:
1. *ILO Labour Statistics*.
2. UN Economic Survey of Europe.
3. ILO *Social Security Inquiry* scheme questionnaires (recipients of UB).

By contrast, the self-reported unemployed in Moldova do not register in the unemployment office. Only 19,700 people registered out of the 117,100 self-reported unemployed. The registration rate, 17 percent, is down from 22 percent a year earlier. While self-reported unemployment increased by 6.5 percent in 2003, registered unemployment decreased by 18 percent. The decrease was particularly sharp, 25 percent, among women.

Registered and self-reported unemployment are practically identical in Albania and Romania. The small divergences are due to differences in the reporting periods.

As also shown in Table 8, there is a major discrepancy between the number of unemployed and the number of recipients of unemployment benefit. The Department of Statistics and Sociology of Moldova found 117,100 self-reported unemployed in 2003 but the National Office of Social Insurance paid unemployment benefit to only 7,600 recipients, or 6.5 percent of these. The ratio of registered unemployed receiving unemployment benefit was 39 percent. Even in Romania, where the coverage of the self-reported unemployed by unemployment benefit is by far the highest, it does not exceed 43 percent. Through the entire region, only 614,000, or 24 percent, of those 2.6 million people who appear unemployed in the national Labour Force Surveys receive unemployment benefit.[15]

Unemployment benefits range between 17 and 36 percent of average gross wages (see Table 9), with the lowest rate in Croatia and the highest ones in Bulgaria and Serbia. The variation in the replacement rates of gross wages indicates differences in the purchasing power of unemployment benefits across countries as well as diversity of national taxation rules. Net wages would provide a better basis for comparison, but our data allow this calculation for only three countries. In Croatia, the average unemployment benefit amounts to one-quarter of the average net wage; in Romania, to nearly 40 percent; and in Serbia, to almost 50 percent.

The maximum duration of unemployment benefit ranges from 9 months (270 days) in Moldova to 14 months (60 weeks) in Macedonia (see final column of Table 9).[16]

[15] Ratio excludes Bosnia and Herzegovina, due to difficulties in obtraining data described earlier.

[16] We have data only for two countries of the average duration period. Both reflect high rates of long-term unemployment.

Table 9
Adequacy of unemployment benefit

	Replacement rate[1] of unemployment benefit [%]		Maximum duration of unemployment benefit [days]
	to gross wages	to net wages	
Albania	30	n.a.	365
Bosnia and Herzegovina	n.a.	n.a.	n.a.
Bulgaria	36	n.a.	n.a.
Croatia	17	25	365
Macedonia	n.a.	n.a.	312
Moldova	23	n.a.	420
Montenegro	n.a.	n.a.	270
Romania	28	39	Depend on employment history
Serbia	34	49	364

Source: ILO *Social Security Inquiry* scheme questionnaires (benefits), national statistics (wages).

Note: 1. Average unemployment benefit/average wage.

People who cannot find their way back to the labour market and who are still not eligible for old age pension may try to secure permanent income as disability pensioners. A proper analysis of the role of disability pension as a labour market instrument cannot be accomplished without controlling for the state of health of recipients. In addition, sometimes social security statistics classify recipients of disability pensions who are above the retirement age as disability pensioners, not old age pensioners. This is the case in Serbia, Montenegro, and Croatia. This helps to explain the high disability rates (7 percent in Montenegro, 8 percent in Serbia, and 12 percent in Croatia) in these countries (see Table 10).

Another "solution" to high unemployment in South Eastern Europe, as elsewhere, is early retirement. This is, of course, a "solution" only for the individuals, since early retirement raises the costs of the national pension scheme significantly.[17] Early retirement rules are sometimes complex and obscure in South Eastern European countries. As can be seen in Table 11, most countries are making gradual increases in their national retirement ages; but the actual retirement ages are significantly lower in all but one (Moldova) of the countries for which we have information.[18]

Table 10
Incidence of disability benefits [%]

	Disability pensioners[1]/population in active age (15–64)
Albania	1
Bosnia and Herzegovina	n.a.
Bulgaria	6
Croatia	12
Macedonia	4
Moldova	5
Montenegro	7
Romania	5
Serbia	8

Source: ILO *Social Security Inquiry* scheme questionnaires (beneficiaries, and national statistics (demography).

Note: 1. Without war veterans.

[17] This scheme provides life-long benefits and may provide no incentives to return to work, making it a far more costly option.

[18] Moldova, however, also exemplifies the difficulties of rising the retirement age. A law was passed in 1999 which mandated a gradual increase from 60 to 65 for men and 55 to 60 for women (by six months each year). However, Parliament froze the increases for five years in 2003, leaving the current retirement ages at 62 for men, 67 for women. Source: Moldovan National Office of Social Insurance.

Table 11
Legislated and actual retirement ages[1]

	Current law, year of enactment	Legislated retirement age: Men	Legislated retirement age: Women	Actual retirement age in 2003[2]: Men	Actual retirement age in 2003[2]: Women
Albania	1 July 2002	61 in first half of 2004 with 35 years of contributions, gradually increasing to age 65 by 6 months per year (increases at mid year).	56 in first half of 2004 with 35 years of contributions, gradually increasing to age 60 by 6 months per year (increases at mid year).	59.9	55.1
Bosnia and Herzegovina	1998 and 2001, Federation of B&H	65 in 2004 with 20 years of contributions, or any age with 40 years of contributions.	Same as for men.	n.a.	n.a.
	2000, Republika Srpska	Same as for BiH but with option for early retirement at age 63 in 2004 and 64 in 2005.	Same as for men, plus option of age 58 in 2004 and 59 in 2005 with 20 years of contributions or, with 35 years of contributions, at any age.	n.a.	n.a.
Bulgaria	1999	62.5 in 2004 increasing to age 63 in 2005.	57.5 in 2004 increasing by six months per year to 60 in 2009.	58.8	56.6
Croatia	1998	63 in 2004, increasing to age 65 in 2008 by 6 months per year.	58 in 2004, increasing to age 60 in 2008 by 6 months per year.	61.0	58.0
Macedonia	2000	64 in 2004.	60.5 in 2004 increasing by 6 months per year to 62 in 2007.	n.a.	n.a.
Moldova	1998	62 in 2004 with 30 years of contributions.	57 in 2004 with 30 years of contributions.	62	57
Romania	2000	62 years, 5 months in mid 2004 with 35 years of contributions, gradually increasing to age 65 in 2014.	57 years, 5 months in mid 2004 with 30 years of contributions, gradually increasing to age 60 in 2014.	n.a.	n.a.

		Legislated retirement age		Actual retirement age in 2003[2]	
	Current law, year of enactment	Men	Women	Men	Women
Serbia and Montenegro	2003, Serbia	63 with 20 years of contributions; 65 with 15 years of contributions; 53 with 40 years of contributions.	58 with 20 years of contributions; 60 with 15 years of contributions; 53 with 35 years of contributions.	61	61
	2003, Montenegro	60.5 in 2004 with 40 years of contributions, gradually increasing to age 65 in 2013 by 6 months per year.	55.5 in 2004 with 35 years of contributions, gradually increasing to age 60 in 2013 by 6 months per year.	n.a.	n.a.

Sources: ILO Budapest email survey of regional labour ministries, February 2004 (columns 3 and 4) and ILO *Social Security Inquiry* scheme questionnaires (columns 5 and 6).

Notes:
1. Actual retirement ages in 2003.
2. In the general old age pension scheme.

Table 12 shows the extent of each country's coverage of the contingency of old age. The table indicates a relatively low coverage of the elderly by old age pensions in the former Yugoslav republics. Coverage rates are 85 percent in Montenegro, 82 percent in Macedonia, 76 percent in Croatia, and 59 percent in Serbia. In contrast, the Bulgarian, Romanian and the Moldovan rates are 141, 145 and 146 percent, respectively. Albania has a coverage rate of 182 percent.

Table 12
Coverage by old age pensions [%]

	Old age pensioners/elderly population[1]			Beneficiaries of survivors benefits/elderly population[2]
	Total	Male	Female	
Albania	182	188	169	29
Bosnia and Herzegovina	n.a.	n.a.	n.a.	n.a.
Bulgaria	141	143	140	9
Croatia	76	102	60	31
Macedonia[3]	82	113[4]	46[4]	32
Moldova	146	n.a.	n.a.	9
Montenegro	85	n.a.	n.a.	50
Romania	145	n.a.	n.a.	30
Serbia[5]	59	n.a.	n.a.	26

Sources: ILO *Social Security Inquiry* scheme questionnaires (beneficiaries), national statistics (demography).

Notes:
1. Elderly population: 65+; Children: <15.
2. Without lump sum funeral grants and the survivors functions of war veteran schemes.
3. 2002 data.
4. No data are available for the gender and age distribution of two smaller benefits; this results in a 6.25 percent underestimation of coverage for the two genders combined.
5. Population data for 2002.

Coverage rates above 100 percent are due to retirement ages below 65. The difference between the former Yugoslav republics and the rest of the region may be partly explained by the higher actual retirement ages in the first group (see column 6 of Table 11).[19] Yet, this explanation is incomplete. Even if actual retirement ages are somewhat higher on the average, they still fall below 65. Another possible explanatory factor is the classification of disabled persons who are elderly under the former category (disability) in Serbia and Montenegro, as well as Croatia. Survivors' benefits might add to the explanation to the extent that they function as a substitute for own-right old age pensions. On average, the former Yugoslav republics pay survivors' benefits to relatively more people.[20] Yet, without data on the age profile of these beneficiaries, we cannot tell to what extent survivors' benefits indeed substitute for old age pensions. If fuller data were available, the low coverage in the former Yugoslav republics might prove to be a statistical artifact.

Table 12 also compares the coverage rates of the elderly by old age pensions across genders. In every case, female coverage is lower than male coverage. Since female life expectancy is higher than that of males (the ratio of women to men exceeds 1.4 to 1 in the 65+ population across the region, see column 5 of Table 2) women are far more likely to live alone when old than men. In addition, the alternative source of income, survivors' benefit, is lower than own-right old age pensions. Both these factors amplify discrepancy in pension coverage and create a higher probability of poverty among elderly women.

Table 13 presents the average replacement rates of old age pensions, defined here as the average pension compared to the average national wage. As discussed above, differences among national tax rules may blur the picture, causing the relation of pre-tax to after-tax pensions to vary considerably in

[19] In Macedonia, the only country for which we have the number of old age pensioners 65 years old or older, this special coverage rate (the rate of old age pensioners 65 years old or older to the total population 65 years old or older) is 53 percent (22 percent among women and 90 percent among men).

[20] Not counting lumps sum funeral grants and the survivors function of war veteran schemes.

different countries. Therefore, replacements for average net wages are presented wherever data is available.[21]

As can be seen in the table, replacement rates are higher in the former Yugoslav republics, 61 percent in Serbia, 51 percent in Montenegro, and 42 percent in Macedonia. Even in Croatia they are higher, at 34 percent, than almost everywhere in the region outside the former Yugoslavia. In Romania and Moldova, the average replacement rate is 24 percent.

Table 13
Adequacy of old age pensions [%]

	Average replacement rate[1]		Average old age pensions /official poverty line	Average replacement rate of newly awarded pensions[2]	
	to gross wages	to net wages		to gross wages	to net wages
Albania	33	n.a	132[3]	33	n.a.
Bosnia and Herzegovina	n.a.	n.a	n.a.	n.a.	n.a.
Bulgaria	38	n.a	No[4]	34	n.a.
Croatia	34	49	122	26	37
Macedonia	42	71	56	n.a.	n.a.
Moldova	24	n.a.	No[4]	25	n.a.
Montenegro	51	79	No[4]	52	81
Romania	24	33	92	29	40
Serbia	61	89	193[2]	70	101

Sources: ILO *Social Security Inquiry* scheme questionnaires (benefits, poverty lines), national statistics (wages).

Notes:
1. Average old age pension in the general pension scheme/average wage.
2. Average newly awarded pension in the general pension scheme/average wage.
3. 2002 data.
4. No official poverty line.

[21] These replacement rates apply to the main old age benefit of the general pension scheme. How other schemes or benefits of the system, if they exist, compare with the general benefit will be discussed subsequently. This comparison does not consider the two new mandatory individual savings schemes in Croatia and Bulgaria. The Croatian funds do not pay benefits yet, and the outlays of the Bulgarian funds (mainly survivors benefits) are marginal.

The fourth column of Table 13 provides one more check of the adequacy of old age pensions. It compares the average old age pension provided by the general pension scheme to the official or semi-official poverty line. This comparison can only be made for some countries. Bulgaria, Moldova, and Montenegro have no official poverty lines. In Bosnia and Herzegovina, the government of Republika Srpska adopted the poverty line established by the World Bank's LSMS survey and used it in its Poverty Reduction Strategy Paper; however, the other entity, the Federation of Bosnia and Herzegovina, does not have a poverty line. The methodological differences among the applied poverty measures are discussed in the previous section and in Annex 1. These differences mean that the table is useful only as a rough gauge of the adequacy of old age pensions country by country; they should not be used for regional comparisons.

The fifth and sixth columns of Table 13 show the replacement rate of newly awarded pensions. This can serve as a rough approximation of the scheme replacement rate and can be benchmarked to ILO Convention 102 requirement of 40 percent replacement rate after 30 years of contribution.[22] One observes enormous variation in the replacement rates of entry pensions across the region. They are highest in Serbia and Montenegro. In Serbia this rate exceeds 100 percent of the average net wage, and in Montenegro it exceeds 80 percent. In contrast, in Romania the rate is just 40 percent, and in Croatia it does not reach that level.

The grouping of elderly for pension benefit purposes differs significantly across the region. Serbia and Montenegro have separate schemes for different social groups. These schemes are administered by distinct organizations. In Montenegro, general old age pensions are administered by the Pension Fund of the Republic, whereas a separate scheme for farmers without insurance falls under the responsibility of the Ministry of Agriculture. The general scheme covers people with a history of insured earnings. In 2003, it paid an average of 4.5 times more a month than the farmers' pension.

[22] This calculation is a rough approximation in the sense that it compares current workers and pensioners. Of greater interest is the replacement rate over time – what percentage of each workers countable wages are replaced by his/her pension. However, this is much more difficult to estimate. Convention 102 formulates this minimum with reference to a skilled manual labourer.

The Serbian case is even more complex. Besides the general scheme, there is a small scheme for the self-employed paying an average of 90 percent of the average pension, as well as a larger scheme for farmers paying an average benefit level of only 25 percent of the average pension. As the revenues from farmers' contributions are quite low, about three-quarters of the scheme's revenues come from government transfers. All three schemes are administered by separate institutions.

Albania and Bulgaria operate pension systems in which separate schemes that are managed by the same institution. Albania subdivides its system into schemes for the general public, for the self-employed in agriculture (which pays only 28 percent on average of the general old age pension), and supplements for civil servants (the inquiry provided no information about the benefit level). Bulgaria has a general scheme and a non-contributory pension scheme. The latter covers some smaller benefits, such as social pensions, personal pensions, and pensions awarded under former legislation.

Moldova and Macedonia have separate benefits within the same schemes. Moldova has different benefits for civil servants (2.5 times the general old age pension), persons elected to local authorities (3.4 times higher), and Members of Parliament (6.8 times higher). These special benefits are financed from contributions, and the state social insurance scheme receives only marginal revenues from other sources. The average pension paid to members of the government, who also have a separate benefit, is slightly lower than the average general benefit. Macedonia has a special benefit for agricultural pensions in the same scheme as the general old age pension.

Romania used to have a separate mandatory scheme for farmers, but that scheme was made voluntary in 1992. The current unified system, which consists of the former state social insurance fund, the former supplementary pension fund, the fund for the self-employed, and farmers' fund, was established in 2000. In that same statute, farmers were mandated once more to contribute to the system. However, resistance and the lack of an enforcement mechanism for the requirement led the government to repeal the extension of mandatory contribution to farmers shortly after it was enacted.[23]

[23] See Toma, C. (2004). The collection of pension contribution in Romania. In: Fultz, E. and Stanovnik, T. (eds.), *Collection of Pension Contributions: Trends, Issues, and Problems in Central and Eastern Europe,* Budapest: ILO. (p.197).

The Croatian system also used to consist of three separate funds, one for employees, one for the self-employed, and a third one for farmers. The three schemes were merged in 1998. The unified scheme continues to pay privileged pensions. Approximately 17 percent of all beneficiaries receive such benefits.[24]

Table 14
Adequacy of the minimum old age pension

	Replacement rate of guaranteed minimum[1]		Guaranteed minimum/average benefit	Percentage of beneficiaries with guaranteed minimum
	to gross wages	to net wages		
Albania[2]	No	No	No	No
Bosnia and Herzegovina	n.a.	n.a.	n.a.	n.a.
Bulgaria	21	n.a.	56	18
Croatia	20	29	58	11
Macedonia[3]	24	40	56	29
Moldova[2]	No	No	No	No
Montenegro	17	26	33	n.a.
Romania[2]	No	No	No	No
Serbia	20	29	33	0

Sources: ILO *Social Security Inquiry* scheme questionnaires (benefits, beneficiaries), national statistics (wages).

Notes:
1. Guaranteed minimum of old age pension/average wage.
2. No applicable guaranteed minimum.
3. Guaranteed minimum depends on the date of retirement.

The second column of Table 14 shows the replacement rates of the guaranteed minima of the old age pension. It presents data for only five countries, since Albania, Moldova, and Romania do not define guaranteed minima and the Inquiry has provided no information on the system of Bosnia

[24] See Bejaković, P. (2004). The collection of pension contribution in Croatia. In: Fultz, E. and Stanovnik, T. as previously cited. (p.62).

and Herzegovina. The figures vary from 17 and 24 percent. Since the personal income taxation of the guaranteed minimum is negligible, typically zero, the minima are better compared to net wages. In Macedonia the guaranteed minimum is equal to 40 percent of the average net wage. In Croatia and Serbia, it is just below 30 percent. This comparison reveals the difference between recipients of the guaranteed minimum and the average worker.

To get a sense of how the guaranteed minimum compares to the average pension, see column 4 of Table 14. In both Serbia and Montenegro, the guaranteed minimum is 33 percent of the average benefit. In the other three countries for which the comparison is possible, it varies between 56 and 58 percent.

Column 5 of the table shows the portion of all beneficiaries who receive the guaranteed minimum. In Bulgaria, Croatia, and Macedonia, where the guaranteed minimum is closer to the average benefit, many people receive it: in Macedonia, 29 percent of beneficiaries; in Bulgaria, 18 percent; and in Croatia, 11 percent. In Serbia the guarantee is less meaningful in pragmatic terms. It is set further out in the left tail of the distribution curve, and only an insignificant number of people receive it. This applies only to the general pension scheme. As discussed above, Serbia operates a separate scheme for farmers paying much lower benefits. For that scheme, the average old age benefit was only 57 percent of the poverty line in 2002.

Table 15 presents some other measures of the adequacy of old age pensions. As can be seen in column 2, entry pensions exceed the average pension in all countries but one (Bulgaria) for which information is available. There are two reasons for this. First, new pensioners of a mature pension system typically have longer insurance histories and have higher lifetime wages due to improvements in education and productivity. However, given the recent turmoil in South Eastern Europe, this general trend may not apply here or may be less pronounced. Second, due to the characteristic rising slope of the age-earnings profile, older workers tend to have higher wages than the average.

A second factor influencing the replacement rate of pensions is the indexation of pensions in payment. This is presented in the third column. As can be seen, the overall growth was almost uniformly positive in the region in 2003. In Moldova real pensions increased 17 percent, in Serbia 9 percent. In Bulgaria and Croatia, pensions grew slowly or stagnated. Pensions lost ground relative to wages in only two countries: Croatia (by –2 percent) and Serbia (by –7 percent).

Table 15
Other measures of the adequacy of old age pensions [%]

	Entry pensions Average pension	Real growth of average old age pensions in 2003 [CPI adjusted]	Difference between pension growth and wage growth, 2003
Albania	101	6	1
Bosnia and Herzegovina	n.a.	n.a.	n.a.
Bulgaria	91	2	2
Croatia	n.a.	0	–2
Macedonia	n.a.	7	3
Moldova	103	17	2
Montenegro	103	n.a.	n.a.
Romania	120	8	1
Serbia	114	9	–7

Source: ILO *Social Security Inquiry* scheme questionnaires (benefits), national statistics (wages).

It has to be noted that pensions, as social benefits in general, may be influenced by the "political business cycle" – that is, changes aimed at winning political support prior to elections. However, we could neither assess the extent of this effect nor control for it.

Table 16 shows coverage rates for child-related benefits. This category includes benefits to support raising children, including the social security functions of the education system.[25] Comparing Table 16 with Table 12, one can see that child related benefits cover a smaller proportion of children than old age pensions cover of the elderly (see column 2 of Table 12). However,

[25] As noted previously, these include such items as school lunches for poor children and text books.

since these family and pension benefits are frequently paid not to individuals but to households, we may get a clearer picture by comparing the number of recipients to the number of households having children or elderly dependents. While the *Social Security Inquiry* provided scant info to make this comparison (i.e., only for two countries), the picture is consistent with the above conclusion (see column 3 of Table 16).

Table 16
Coverage of child related benefits[1] [%]

	Beneficiaries of family benefits	
	/children	/households with children
Albania	1	n.a
Bosnia and Herzegovina	n.a.	n.a
Bulgaria	86	79
Croatia	75	60
Macedonia[2]	23	28
Moldova	23	n.a
Montenegro	20	n.a
Romania	85	n.a
Serbia[2]	43	n.a

Sources: ILO *Social Security Inquiry* scheme questionnaires, national statistics (demography).

Notes:
1. Child related benefits: family benefits, maternity benefits.
2. Macedonia and Serbia: population data for 2002.

Two groups of countries can be identified. In Bulgaria, Croatia, and Romania, it seems that child-related benefits reached at least three-quarters of children.[26] In the rest, the rate is around 20 percent, with the exception of Albania, which is just 1 percent, and Serbia, 43 percent. That is, relatively older countries that have fewer children seem to spend relatively more on them than do young countries with many children.

[26] That is, the number of beneficiaries of child-related benefits equals at least three-quarters of the number of children.

A final question of relevance for policy making is the comparative effect of social security in alleviating poverty across the region.[27] It is a difficult question to answer, since If we compare the size of the population below 15 years to that above 65 years (see column 4 of Table 2), which is a simple approach to assessing the age of a society, and correlate it with the coverage rate of children by child-related benefits, we shall get a high negative correlation. National poverty lines, and, consequently, their poverty rates depend heavily on the method of calculation. Annex 1 provides a note on the various methods used to calculate poverty rates in the Stability Pact countries.[28] Due to the methodological differences in the countries' approaches, we can estimate the impact of social security in preventing poverty only for the three most easily comparable calculations, those of Albania, Romania, and Serbia. Even these results require special care in interpretation.

For Albania, the World Bank's Poverty Assessment estimated that the poverty rate of 25.4 percent would grow by only 1.1 percentage points to 26.5 percent should the monthly social assistance scheme be withdrawn – and should households not modify their behaviour in order to cope with this loss (see Table 17). This suggests that this benefit is not well targeted towards the poor population. By contrast, the Albanian poverty headcount ratio would rise to 31.2 percent without the urban old age pension, and it would be as high as 37.2 percent if there were no cash transfers whatsoever. All in all, almost one third of the implied pre-transfer poverty rate is removed due to social security in Albania. However, it seems that social insurance (contributory old age pensions) has a more powerful impact in preventing poverty than social assistance.

[27] This measurement generally applies to non-health social security spending.

[28] Keeping the limited comparability of the measures in mind, the results still make it seem that poverty is more extensive in Albania and Romania than in Serbia. In the first two countries, one out of every four persons lives in poverty, while in Serbia, the ratio is one out of every ten. These absolute figures cannot be compared to the relative poverty measures used in Croatia and Macedonia. It is even risky to measure the last two against each other since they differ in the way they measure welfare (income versus consumption), in where they draw the poverty line on the distribution (60 percent versus 70 percent of the median), and in the reference group for measurement (individuals versus households).

Table 17
Impact of cash public transfers on post-transfer poverty rates, Albania, 2002

All public transfers	Monthly social assistance	Urban old age pension	Rural old age pension	Other pension	Unemployment benefits	Maternity benefit	Social care	Other public transfer
baseline post-transfer poverty rate: 25.4 percent								
Reduction in poverty rate [% point]								
11.8	1.1	5.8	2.1	1.7	0.3	0.2	0.5	0.3
baseline post-transfer poverty rate at extreme poverty line (food line): 4.7 percent								
Reduction in poverty rate [% point]								
6.5	0.8	3.0	1.1	0.9	0.2	0.1	0.0	0.1

Source: World Bank. (2003). *Albania – Poverty Assessment.* (p.116).

The study design used in Albania (which is like that used in most such studies) has a serious weakness: it fails to take account of the adjustments that people might make in their behavior to compensate for a loss of social security benefits. For example, they might work longer hours, emigrate, move in with relatives or friends in order to reduce per capita household expenses, etc. Thus, the Albanian study and others like it probably overestimate the poverty prevention role of social security. A similar study was designed for Romania to take these behavioral responses into account.

Tesliuc et al. gauged the impact of social transfers on the regular poverty measures in the World Bank's Poverty Assessment of Romania, building in an assumption about the impact of coping techniques. Based on some existing research which provided the basis for an educated guess on the extent of such techniques, they assumed the overestimation can be as much as 2, meaning that 1 unit decrease of benefits would reduce actual consumption by only 0.5 unit. On this basis, they netted out only 50 percent of transfers from household consumption in computing pre-transfer poverty.

Even with this adjustment, the net effects are significant (see Table 18). The post-transfer general poverty rate of 30 percent is two-thirds of poverty without transfers. In other words, social security reduces the underlying poverty rate by one third.[29] Moreover, Tesliuc et al. find that extreme poverty would be as much as 23 percent, twice the post-transfer level, were it not for social security. Similar orders of magnitudes apply to changes in the poverty gap: not only would the poor be more numerous without social transfers but also their consumption level would be further below the poverty line.

For Serbia, a similar exercise was carried out in a background paper of the World Bank's Poverty Assessment (2003). Here the extent to which people would compensate for their loss of social security was not based on an educated guess, as in Romania, but was estimated from survey data. The estimate was that the observed consumption levels would fall by 13 percent of social transfers in urban areas and 28 percent in rural areas. This loss of consumption was estimated to raise the poverty rate significantly, by 34 percent. In other

[29] The estimation of the net effects changed the post-transfer poverty values as well in the original publication.

words, the poverty rate would be 34 percent higher without social security. The analysts stressed that they consider this a conservative estimate.[30]

Table 18
Impact of social security benefits on poverty and inequality, Romania, 2002

	Pre-transfer[1]	Post-transfer
Inequality		
Gini	0.33	0.29
Poverty rate [%]		
extreme poverty	23.2	11.5[2]
general poverty	45.3	30.4[2]

Source: Tesliuc et al. (2003) in *Romania – Poverty Assessment*. World Bank. (Tables A3, A4a and A4b).

Notes:
1. Pre-transfer measures are obtained by netting out 50 percent transfers from household consumption.
2. Post-transfer poverty measures alter from the baselines.

In Serbia, as in Albania, the largest share of public transfers is social insurance, mainly pension programs. Although not targeted directly to the poor, these programs cover over 70 percent of the consumption of those who would be poor in Serbia without social security benefits. Social assistance programs redistribute much smaller amounts, but due to more efficient targeting at the poor they still have an impact on poverty alleviation. This applies to MOP, Serbia's poverty benefit, in particular. A full 70 percent of this transfer reaches those who fall below the poverty line. For these recipients, MOP covers 57 percent of consumption. However, this is a very small program, with a high exclusion error: only 4 percent of the pre-transfer poor receive it, and 96 percent are excluded. A somewhat higher portion of child allowances are paid to poor families: 20 percent of the transfer goes to those who would be poor before receiving it, 80 percent to the non-poor.

[30] Again the results cannot be compared across countries because of different poverty measures and thresholds.

Finally, a rough gauge of the efficiency of poverty alleviation efforts is the extent of means testing of non-contributory social security benefits. (See Table 19.) We assume that a higher rate signifies a narrower and more precise targeting of benefits towards poor persons.[31]

Table 19
The prevalence of means testing in non-contributory schemes

	Proportion of the budget of non-contributory schemes[1] under means tests [%]
Albania[2]	33
Bosnia and Herzegovina	n.a.
Bulgaria	54
Croatia	59[3]
Macedonia	n.a.
Moldova	15
Montenegro	n.a.
Romania	n.a.

Notes:
1. Without war veteran schemes and non-contributory in-kind programs.
2. Without employment injury.
3. Only social security in competence of the central government.

In Croatia, 59 percent of non-contributory programs are means-tested. In Bulgaria the figure is close to that level, 54 percent, and in Serbia, 48 percent. Albania and Moldova have lower rates, 33 percent and 15 percent, respectively. Due to lack of data it was not possible to make the calculation for Bosnia and Herzegovina, Macedonia, Montenegro, and Romania.

[31] Contributory social insurance schemes are not included in the analysis. The fact that pension schemes and general health insurance do not apply means tests, or that indeed basic education is usually free for all children, does not reveal important information on their targeting efficiency since they are not aimed solely at alleviating poverty. In addition, we also leave out of consideration the war veteran schemes. These programs, which have particular importance in the region that was hit by serious armed conflicts in the 1990s, do not simply aim at assisting the poor but also honoring sacrifices made.

In the following chapter, these regional comparisons of social security are supplemented by national profiles of the benefits and institutional structure in each Stability Pact country.

Chapter 3
National Social Security Systems: Brief Overview

1. Albania

The economic context of the Albanian social security system was favourable in 2003. GDP grew rapidly, at 6 percent. Those having jobs benefited from this dynamism, as real wages grew by 5 percent. Employment, however, increased only 0.8 percent resulting in a 46 employment rate.[32] The unemployment rate was 15 percent. The demographic dependency ratio was the highest in the region, 55 percent, due to high fertility. The child population (15 years old or younger) outnumbered the elderly (65 years old or older) by 3.4 to 1. This is the highest such ratio in the region.

The government allocated 11.7 percent of GDP to social expenditures, which is the lowest among the Stability Pact countries. This results, on the one hand, from a relatively small government (total expenditure of the consolidated general government was 27 percent of GDP, the second lowest in the region, see column 7 of Table 4) and, at the same time, from the relatively low share of social expenditures in the total outlays of the general government. Public health spending is also the lowest in the region as a portion of GDP, at 2.1 percent, due to the unusually small role of public expenditures in the total health budget (39 percent).[33] At the same time, non-health social security expenses are also the lowest among the countries compared here, 6.7 percent of GDP. Most of these transfers (4.0 percent of GDP), were devoted to the old

[32] The employement rate is the number of employed compared to the total population between the age 15 and 64 (inclusive).

[33] The remaining expenditures on health are out-of-pocket private payments.

age function. Child-related transfers comprised only a tiny portion of GDP, 0.1 percent.

The official poverty line stood at 23 percent of the average gross wage. Over 25 percent of the population (790,000 people) fell below this threshold. This poverty line was drawn from a survey that followed the LSMS methodology developed by the World Bank, so it is a consumption-based absolute poverty line. Since the per-capita consumption is rather equally distributed (the Gini-index is 2.8 according to the same survey), a large part of the society lives just below or just above this poverty line.

The main administrator of the non-health social security system is the Social Insurance Institute (SII), which is responsible for old age pensions for the urban as well as the rural population, disability and survivors' pensions, allowances for war veterans, compensation for employment injuries, and price compensation payments. The Institute deals only with cash benefits. The benefits it administered amounted to 5.9 percent of GDP in 2003.

The State Social Service (SSS) redistributed about 1.1 percent of GDP, almost all in cash. The SSS is in charge, among other things, of the social assistance scheme, the *ndihma ekonomike* (NE), the only major program that has households, and not individuals, as direct beneficiaries. Only this social assistance (NE) and another smaller benefit are means-tested.[34]

The National Employment Service (NES) administers active labour market programs, such as job search assistance, public employment, and vocational training, as well as unemployment benefit. The latter was paid to just 8 percent of those who are considered unemployed by the ILO definition. The unemployment benefit was equivalent to 30.5 percent of the average gross wage, but it was supplemented by 1.6 percentage points to cover payments for electricity, 0.7 percentage points as supplement for bread, and 1.9 percentage points for each dependent child under 15. The NES also pays social insurance contributions on behalf of the unemployed.

The Inquiry provides only limited information about health care. The Health Care Insurance Institute (HCII) spends about 28 percent of the public

[34] The SSS administers three schemes of which NE is one. In addition, it is responsible for a social assistance scheme for the disabled and their relatives, as well as for social services (orphanages and homes for displaced children, homes for the elderly, shelters for women escaping from domestic violence).

health budget. The Ministry of Health controls the rest. The HCII pays only for general practitioner (GP) services and drugs.

The NES is self-supporting in that it is run nearly exclusively from contributions. By contrast, the SII and the HCII rely heavily on revenues from the government, which constitute almost 40 percent on their combined budgets. The social assistance system, administered by the SSS, is financed exclusively from the budget.

2. Bosnia and Herzegovina

Bosnia and Herzegovina consists of two entities, the Republika Srpska and the Federation of Bosnia and Herzegovina. The Federation is divided into cantons, and the city of Brcko is also a separate administrative unit. In the Federation, much of social security is financed, administered and sometimes even regulated at the canton level. For this reason, it turned out to be impossible to complete scheme questionnaires. We have only an MF questionnaire and two ML questionnaires for each entity.

The picture that these questionnaires portray is that of a society slowly recovering after years of armed ethnic conflicts. The per capita GDP is still the second lowest in the region. The employment rate cannot be calculated due to the lack of figures on the age distribution of the population. The rate of unemployment is 42 percent.

3. Bulgaria

The Bulgarian economy expanded dynamically, by some 4.3 percent, in 2003. This growth was accompanied by a 1.2 percent increase of the number of employed, resulting in an employment rate of 53 percent. The unemployment rate was 14 percent. Real wages virtually stagnated, rising by only 0.5 percent. The demographic dependency ratio was 45 percent, one of the highest in the region.[35]

[35] Bulgaria and Serbia have the largest share of the elderly (65 years and older) in their populations, 17 percent.

Public social expenditures amounted to 21.5 percent of the GDP. This was divided among public health spending (4.4 percent), non-health social security (13.2 percent), and education (3.9 percent).[36] Two-thirds of the non-health social security budget provided benefits addressing the contingencies of old age, and 8 percent covered child-related benefits. The latter is one of the highest rates in the region. Bulgaria does not have an official poverty line.

Non-contributory social security schemes and social insurance are administered separately in Bulgaria. Cash transfers of the social insurance system are mostly managed by the National Social Security Institute (NSSI), which is responsible for old age, disability, and survivors' pensions; unemployment benefits; compensation for employment injuries; maternity benefits; and some sickness-related cash benefits, such as General Disease Benefits. The portion of GDP redistributed by the NSSI is 11.2 percent. The NSSI does not administer in-kind benefits and, with the exception of "Social Old Age Pensions", a small transfer, it does not administer means-tested benefits.

Nearly three-quarters of the total NSSI budget is derived from contributions. 52 percent is financed from employers' contributions, and 20 percent comes from contributions paid by protected persons. In addition, the government budget contributes about the same portion of NSSI expenses as protected persons. These state revenues cover non-contributory pensions and some expenses of the pension insurance scheme. Some family benefits were also paid through the NSSI-managed scheme of General Disease and Maternity Benefits in 2003. However, according to a new regulation, starting in 2002 family benefits for insured parents were supposed to become subject to an income test and placed under the responsibility of a new institution. Thus, the 2003 picture is likely transitional.

The Social Assistance Agency (SAA) redistributed 1.5 percent of GDP in non-contributory schemes such as Family Benefits for Children, Monthly Social Assistance Benefits, Targeted Assistance for the Disabled, and Social Services. With the exception of the latter, these benefits are means-tested.

The Employment Agency (EA) finances active labour market measures, such as public work programs, employment promotion measures, and voca-

[36] Refers only to the social security aspects of education, as discussed previously.

tional training. These are, by their nature, all in-kind programs. No means tests are applied. The scheme administered by the EA is small compared to the NSSI schemes; in terms of expenditures, it is only about 4 percent of the NSSI budget.

The National Health Insurance Fund (NHIF) administers health insurance whereas the Ministry of Health (MoH) has authority for public health care, such as emergency care, psychiatric care, immunizations, national health programs, responses to epidemics, costly treatments that exceed health insurance limits, and medical expertise for assessing ability to work. In addition, in 2003 the government financed 66 percent of hospital care. Spending by the NHIF and the MoH was nearly equal, 2.2 percent of GDP for each institution. The NHIF revenues come from contributions. The deficit it ran in 2003 was covered from reserves accumulated in the previous years. Public health care is financed from general taxes.

New actors entered the social security system in 2002 when the second-tier, individual savings system came into effect. The new scheme operates on the capitalization principle, using contribution revenues diverted from the public pension system. These are managed in individual accounts by private companies, which are supervised by the Financial Supervision Commission. The scheme received about 0.3 of GDP as revenues in 2003.[37]

4. Croatia

Croatia is the only country in the region that falls into the category of upper middle income countries. The per capita GDP was US$6,370 in 2003, almost two-and-a-half times higher than the regional average. The economy grew by 4.3 percent in 2003. The aggregate of paid employment (including legal entities, crafts, trades, freelance, and insured private farmers) grew by 2.5 percent. Self-reported unemployment was 14 percent. Registered unemployment was higher, 19 percent in the second half of 2003, down from 22 percent in the first half of the year. The incidence of disability was 12 percent, by far the

[37] Personal communication from Hristina Mitreva (NSSI).

highest in the region.[38] The disability rate no doubt reflects the parallel effects of poor health and the depressed labour market, as well as the effects of war. However, due to the lack of micro-data on general health conditions, these impacts cannot be disaggregated. Wages increased but at a slower rate than the economy (2.9 percent). The demographic dependency rate was 49 percent.

Croatia had the largest share of total social expenditures in the region. This amounted to 30.7 percent of GDP, out of which 4.2 percent was spent on the social security aspects of public education and 26.5 percent, on all other social security benefits. The public health budget is also one of the largest in the region, 7.2 percent of GDP. This budget covers over 80 percent of the total health spending in the country. This share also ranks among the highest in the region, second only to Macedonia's. Non-health social security constitutes 19.3 percent of GDP.

Poverty is measured by the Croatian Central Bureau of Statistics (CROSTAT). The data source is the annual Household Budget Survey (HBS). The CROSTAT adopted the EU HBS methodology and applies the Eurostat poverty indicators. Thus the Croatian poverty line is relative and set at 60 percent of the median equivalent income.[39] The poverty rate was 16.9 percent in 2003.

Social insurance is administered separately from non-contributory schemes in Croatia, and responsibility tends to be divided among institutions along functional lines, although some schemes have more than one responsible organization. The "Mandatory Pension Insurance Based on Generational Solidarity", i.e. the general pension scheme, is managed by the Croatian Pension Insurance Institute (CPII). It distributes an amount that is equal to 12.5 percent of GDP to over 1.1 million beneficiaries. Only 57 percent of this amount is raised from contributions. The government contributes another 15 percent for the benefits of persons who receive pensions under separate, favourable conditions. The rest, a sizeable deficit, is also covered by government from general taxation. The scheme applies no means tests and deals only with contributory benefits. Nevertheless, the CPII participates in

[38] The incidence of disability is the number of recipients of disability pensions compared to the number of people of active age.

[39] Median equivalent income is defined and discussed in Annex 1.

the administration of another scheme, the child benefit scheme, which is non-contributory and means-tested. This latter scheme, the expenditures of which equal 0.8 percent of GDP, is financed by the Ministry of Family, Defenders, and Inter-Generational Solidarity.

Besides Bulgaria, Croatia is the other country in the region that has introduced a second-tier individual savings scheme. This new scheme has not yet started to pay benefits. It received and managed revenues slightly above 1.4 percent of GDP, mainly from contributions of protected persons diverted from the first, public tier of the pension system and partly, from investment returns.

The basic health insurance scheme, administered by the Croatian Institute for Health Insurance (CIHI), is responsible for benefits accounting for 7.2 percent of GDP. The scheme covers 96 percent of the population. In 2002, collection of contributions was shifted to the tax office but contributions remained separate from general government revenues.

59 percent of such non-contributory social security expenditures are means-tested. This is the highest rate in the region. However, this applies only to social security administered by the central government. The Inquiry produced limited information on social security financed by local authorities, and no budget data at all of such activities at county level.

5. Macedonia, FYR

The economy of Macedonia grew by 3.2 percent in 2003. Those who were employed benefited from this growth, as net wages increased by 3.6 percent, somewhat faster than the economy. However, the expansion of the GDP was not reflected in employment. Indeed, the number of employed declined by 2.9 percent in 2003, further eroding the employment rate, which was the lowest, 41 percent, in the region (excluding Bosnia and Herzegovina) already in 2002. The unemployment rate is 37 percent among the economically active population, far above the regional average and second only to Bosnia and Herzegovina's.

Since demographic conditions are relatively favourable in Macedonia, the main pressure on the social security system is the result of unemployment.

Persons between the ages of 15 and 64 form a 54 percent majority of the population. The child population is twice as large as the elderly population, so the youth dependency is much higher than old age dependency.

The official poverty line is set at 70 percent of the median equivalent expenditure. Over 30 percent of households fall below this line.

The Inquiry produced no reliable figures on the national level of social security expenditures. The national experts identified 6 social security schemes but were able to provide budget data for only 4 of these. Among them, the largest is the Pension and Disability Fund (PDF) with social benefits totalling 10.8 percent of GDP. The scheme pays old age, disability, and survivor pensions. In addition, it has separate pension benefits for the military and farmers; and it covers the health insurance of pensioners. It relies heavily on government transfers; its contribution income is about two-thirds of total revenues. Health insurance is managed by a separate fund, which finances benefits equalling 5.6 percent of GDP. Besides the usual range of preventive and curative health care benefits, the scheme pays maternity benefits, sickness pay, and employment injury allowance. The unemployment benefit scheme comprises 2.4 percent of GDP. Over 80 percent of its revenues are paid from the government budget. Only 15 percent of the unemployed receive an unemployment benefit.

At the time of the survey, the non-contributory social security program was the responsibility of the Ministry of Labour and Social Security. The benefits managed were equal to 1.9 percent of GDP. A much larger amount left the scheme as transfers to other schemes. This outflow was about 3.9 percent of GDP.

6. Moldova

Moldova is the only country in the region that belongs to the group of low-income countries. In 2003, the per capita GDP was US$554. The economy grew by 6.3 percent, while the number of employed dropped by nearly 10 percent resulting in an employment rate of 53 percent, down from 59 percent a year before. Unemployment among the economically active was 8 percent. At the same time, real wages rose by over 15 percent. The demographic dependency ratio is the most favourable in the region: 58 percent of people are between 15 and 64 year of age. Moldova is among the young countries in the region.

The general government allocates 18.2 percent of GDP to social expenditures. This is one of the lowest rates in the region, second only to Albania's (excluding Bosnia and Herzegovina, and Macedonia, for which we do not have reliable information). From this, 5.6 percent of GDP is devoted to the social security aspects of education, which is the second highest rate in the region. Social security expenses are, however, lower than in all other countries discussed here except Albania, amounting to 12.6 percent of GDP. About one-quarter of this, 3.2 percent of GDP, finances public health expenditures. This equals less than 60 percent of the total health budget, according to the WHO. The remaining health costs are financed by private households' out-of-pocket payments. The majority of non-health social security outlays fall within the old age function. Yet, old age pensions are rather low. The average replacement rate is only 24 percent of the average gross wage, the lowest in the region along with Romania's.

Moldova does not have an official poverty line.

The national experts who carried out the Inquiry identified 5 social security schemes but, due to data gaps, were only able to complete scheme questionnaires for three of these. The health care system went through a deep crisis in the early years of this decade and had to be restructured. This made the available data for the transitional period unrealistic. Thus we have data only for the national level from external sources, such as the IMF and the WHO, but no scheme level data.

The non-health social security system is administered almost exclusively by the National Office of Social Insurance (NOSI). It manages a large social insurance scheme, with benefits making up to 6.3 percent of GDP, and a smaller non-contributory one, which pays out an amount equivalent to about 1.4 percent of GDP. The two schemes pay similar benefits in many cases; the non-contributory scheme frequently supplements the basic social insurance benefits, and some of its other benefits are directed to special categories of beneficiaries. Altogether, it appears that some 40 percent of the population receive a benefit from the NOSI, although this figure is probably overstated, given the overlap between the beneficiaries of the two schemes.

Another small non-contributory social security scheme is administered by the Republican Fund of Social Support of the Population (RFSSP). The fund pays out about 0.1 percent of GDP in form of means-tested benefits with the aim of purchasing food products and products of primary necessity, contributing to payment for medical services, and offering other types of assistance. The Fund receives revenues from earmarked taxes on the use of cell phones and GSM services, technical passports of automobiles, and foreign currency exchanges.

7. Romania

Romania is the largest country in the Stability Pact, representing 40 percent of both regional population and GDP. Its economy grew rapidly at the rate of 4.9 percent in 2003, the third highest growth rate in the region. This expansion was not, however, accompanied by a commensurate increase in employment. Indeed, virtually the same employed labour force produced the higher output. This growth of labour productivity was mirrored in wage dynamics. Real wages grew by 7.2 percent in 2003, much faster than output. The employment rate was the highest in the region, equalling 61 percent of the population between the ages of 15 and 64.[40] Unemployment was 7 percent, the lowest in the group.

Despite the active labour force, a large portion of the Romanian population is poor. Almost 29 percent has consumption below the poverty line.[41] Poverty is measured by the LSMS methodology, which sets an absolute poverty line.[42]

[40] However, Romania has an unusually low rate of social security coverage. Out of 9.6 million persons in employment in 2002, only 4.6 million paid contributions. See Fultz, E. and Stanovnik, T. (Eds.) (2004). *Collection of Pension Contributions: Trends, Issues and Problems in Central and Eastern Europe,* Budapest: ILO (Chapter 2, Table 3).

[41] See the World Bank's Poverty Assessment on Romania (2003). The Anti-Poverty and Social Inclusion Advancement Commission (APSIAC) set a different higher poverty line and found a somewhat lower poverty rate, around 25 percent. (A higher line and a lower rate are counter-intuitive, but this was the finding.)

[42] Absolute poverty measures are frequently lower than relative poverty measures. Romania selected the food consumption of the second and the third quintiles of the population. See Annex 1.

The total social expenditure of the general government was 20.1 percent of GDP, out of which 4.0 percentage points financed the social security aspects of education, 6.4 percentage points financed public health, and 9.6 percentage points financed non-health social security. The total health budget is mostly public; about 80 percent of health expenses are covered by the general government. The non-health budget is one of the lowest in the region in terms of GDP; only Albania and Moldova allocate less to such purposes (Bosnia and Herzegovina and Macedonia excluded, for which we have almost no information). More than half of the non-health social security budget, 55 percent, is within the old age function; and 10 percent is paid as survivors' benefits.

There are three separate social insurance institutions in Romania, namely, the National Agency for Labour Force Employment (NALFE), the National House of Health Insurance (NHHI), and the National House of Pensions (NHP). There is also an extensive National System of Social Assistance, financed and administered partly by the central government and partly by local authorities. Its outlays are relatively small but cover a wide array of benefits. In addition, there are a number of smaller benefits paid by various ministries.

The NHP has more than 7 million beneficiaries. The benefits that it pays make up 6.4 percent of GDP. 90 percent of its revenues come from contributions, and it ran a moderate surplus in 2003. Over two-thirds of contributions were paid by employers, the rest by employees or from other social insurance institutions in the form of re-routed contributions. Farmers were integrated in the scheme in 2000, first on a mandatory basis and then voluntarily. (Farmers used to have a separate mandatory scheme which was made optional in 1992 and eliminated in 2000.) The NHP deals mainly with cash programs but it also finances some smaller in-kind benefits, which are not provided by health insurance. It applies no means tests, and its benefits have no guaranteed minima. The NPH also administers a smaller scheme for war veterans and victims of political repression. The benefits equal 0.4 percent of GDP, financed from the government budget.

In 2003, the NHHI expended 3.2 percent of GDP on in-kind services. Health insurance is financed almost exclusively from contribution revenues, but it had a significant deficit in 2003, 13 percent. Protected persons pay somewhat higher contributions than employers. The scheme covers almost the entire population, 89 percent of citizens. The public health budget is completed by a small scheme that offers supplementary benefits. It is financed by the Ministry of Health with resources barely above 1 percent of the NHHI budget.

The National System of Social Assistance is a complex umbrella program with participation of the Ministry of Labour, Social Solidarity, and Family (MLSSF), the Ministry of Education and Research (MER), and local governments. This *Social Security Inquiry* identified 48 benefits within its framework. The MLSSF budget for social assistance is equivalent to 0.3 percent of GDP. It covers almost exclusively cash benefits. The Inquiry produced no information on the total amount spent by local authorities and MER for these purposes, so we cannot assess the relative weight of insurance-based versus non-contributory assistance in the total social security budget.

8. Serbia and Montenegro

With 8.1 million inhabitants, Serbia and Montenegro is the second largest country in the region. The demographic composition is rather different in the two republics of the federation. The child-elderly ratio is 3.0 in Montenegro, but it is below 1 in Serbia. (Serbia and Bulgaria are unique in the region in having more elderly people than children.)

The GDP grew by 2.1 percent in 2003, which was the slowest in the region.[43] The country was slowly recovering from the consequences of the armed conflicts of the 1990s. The employment rate was 59 percent in 2002, but total employment decreased in 2003 by 2.8 percent.[44] Formal employment decreased only 1.3 percent. Self-reported unemployment was 15 percent. However, the registered unemployment was much higher, 28 percent. This is because many people who are not eligible for unemployment benefit register at

[43] The source of this figure is the *Statistical Yearbook* of the Serbia and Montenegro Statistical Office. The *Economic Survey of Europe* (2005/1) of the United Nations reports on 1.5 percent growth of GDP in 2003 for Serbia and Montenegro, whereas the World Bank stated 3.0 percent.

[44] This applies to employment figures according to the ILO definition.

the employment service in order to gain access to other benefits. Coverage of the unemployed with unemployment benefit was 15 percent.[45] The incidence of disability (the number of recipients of disability pensions compared to the number of people of active age) was 8 percent in Serbia and 7 percent in Montenegro. Given a lack of micro-data on general health conditions, the impact of poor health and that of the depressed labour market cannot be separated.

The Serbian poverty rate was 10.6 percent.[46] Poverty is measured by the LSMS methodology within the framework of the Survey of Living Standards. The 2002 survey found not only general poverty but also extreme poverty, which refers to consumption below the food line. Such a depth of poverty was not found elsewhere in the former Yugoslavia. The Montenegrin poverty rate was 9.4 percent in 2002, excluding refugees and internally displaced persons. A follow-up survey designed so as to include these social groups corrected the poverty rate up to 12.2 percent. These figures are roughly comparable, since they result from surveys with very similar designs. However, they cannot be compared with poverty rates based on relative poverty lines, such as those for Croatia or Macedonia.[47]

The two republics have relatively high social expenditures. Serbia allocates 24.4 percent of its GDP to social expenditures. The corresponding figure is even higher in Montenegro, almost 29 percent, second only to Croatia in the region. Montenegro spends 5.6 percent of its GDP on the social security aspects of public education. This is the highest rate in the region. In contrast, Serbia assigns only 3.5 percent of its GDP for that purpose, which is the second lowest spending rate. Montenegro also leads the region in spending on public health, at 7.3 percent of GDP. The Serbian rate is 5.6 percent. Non-health social security spending exceeds 20 percent of GDP in both republics. Compared to the other countries, they devote the smallest part of their non-health social security budget on covering contingencies of old age – Serbia,

[45] Refers to recipients of unemployment benefit as a percentage of unemployed in the labour force survey.

[46] See the World Bank's Poverty Assessment on Serbia and Montenegro (2003).

[47] The relative poverty line defines the lower end of income continuum as poor. Thus, it can suggest significant poverty even in prosperous countries.

44 percent and Montenegro, 42 percent. By contrast, they assign the highest share to survivors' pension – Serbia 14 percent, and Montenegro, 16 percent. Serbia leads the region on spending for child-related benefits, allocating 9 percent of its non-health social security budget to this category.

Serbia has three separate pension schemes managed by different agencies, one general, one for the self-employed, and one for farmers.[48] Benefit levels vary considerably among the different schemes. The average old age pension in the general pension scheme was almost twice the poverty line in 2002. The average old age pension of the self-employed scheme was 70 percent higher than the poverty line. In contrast, the farmers' scheme paid an average benefit of only 57 percent of the poverty line. The general scheme pays out an amount equal to 12.3 percent of GDP as benefits, while the other two schemes are much smaller.

Montenegro has distinct schemes for the general public and farmers. The former is administered by the Republic Pension Fund; the latter, by the Ministry of Agriculture. Replacement rates in the general schemes are higher than elsewhere among the Stability Pact countries, with 61 percent of gross wages in Serbia and 51 percent in Montenegro.

Besides the three pension funds, Serbia has different government agencies to administer social security benefits. The National Bureau for Employment (NBE) administered benefits equivalent to 0.8 percent of GDP in 2003. The health budget contains a larger insurance-based scheme, spending 5.9 percent of GDP, and a much smaller non-contributory public health scheme. Both health schemes are managed in cooperation between the Ministry of Health and the Republic Bureau for Health Insurance.

All insurance type contributory schemes relied on government transfers. The general pension scheme for employees obtained over 40 percent of its revenues from the government budget. The corresponding rate is over 50 percent for the National Bureau of Employment.

[48] The World Bank has recently proposed merging these schemes, and the government is making plans to do so.

The Montenegrin system consists of the Republic Pension Fund, which administers benefits equal to 12.5 percent of GDP, the Health Care Fund, with spending equal to 6.3 percent of GDP under its responsibility, together with the Employment Office. The latter had a smaller budget in 2003, 0.9 percent of GDP. Social assistance is administered by the Ministry of Labour and Social Welfare. It comprises child allowance, maternity leave, a general social assistance scheme called “Family Benefit”, and the war veteran scheme. As noted earlier, the Ministry of Agriculture maintains the small pension scheme for farmers. Finally, the National Commissariat for Refugees and Internally Displaced Persons (IDPs) provides financial support for victims of the armed conflicts.

Annex 1
Official Poverty Lines

If people are lined up on a continuum according to the extent of their material welfare, the poverty line is a point set to separate the poor from the non-poor. As such, it is necessarily arbitrary to some extent. Material welfare can be measured by income or consumption. The usual arguments against the use of income in poverty measurement point out that it is frequently underreported, in particular if the informal economy in a country is extensive. Also, income tends to be more volatile than consumption, so seasonality can distort survey results, especially if the role of agriculture is important. On the other hand, consumption is complicated to measure and record. Such measurement requires a special methodology, and pricing for consumption can distort the results if information on local prices is not available or if a commodity given in the questionnaire can be assigned different prices. A further problem with consumption-based welfare measurement is that it can neglect savings, which leads to an underestimation of inequalities. In short, neither income nor consumption is a perfect measure of welfare and the choice between them must depend on the local situation. The official poverty lines applied in the region are based on consumption except for Croatia (see Table A1).

A further methodological issue is the difference between relative and absolute poverty measures. Relative poverty lines are set as a point in the welfare distribution, such as 60 percent of the median income. This is the poverty line standard of Eurostat. Croatia also applies this measure, and Macedonia set a relative poverty line at 70 percent of the median consumption. Relative poverty lines usually suggest higher poverty than absolute ones. Albania, Romania, and Serbia build their own poverty measurement on the methodology developed by the World Bank in the Living Standard Measurement Study (LSMS).[49] They

[49] See the World Bank's Poverty Assessments for Albania, Romania and Serbia (all published in 2003).

adopted absolute measures, which derive the line from the food consumption patterns of the lowest deciles of the income or consumption distribution. Even these measures can be different, however, depending on how they draw the poverty line from the food consumption and which deciles they choose as the benchmark. The lower the benchmark, the less expensive the food basket that supplies the required calorie intake, consequently the lower the poverty line. Albania selected the food consumption of the second to the fourth deciles, Romania selected the second and the third quintiles, and Serbia selected the lowest decile.

Table A1
Poverty measurement and poverty rates

	Welfare measure[1]	Equivalence scale[2]	Benchmark poverty line	Food line consumption patterns[3]	Poverty rate[4] [%]
Albania, 2002	PCC	Linear	Absolute	2nd to 4th deciles	25.4
Croatia, 2003	PEI	OECD–2	Relative, 60% of median	—	16.9
Macedonia, 2003	PEC	OECD–1	Relative, 70% of median	—	30.2[4]
Romania, 2002	PEC	Estimated from sample	Absolute	2nd and 3rd quintile	28.9[5]
Serbia, 2002	PEC	Estimated from sample	Absolute	Lowest decile	10.6

Sources: ILO *Social Security Inquiry* ML questionnaires, World Bank Poverty Assessments for Albania, Romania and Serbia and Montenegro; State Statistical Office of Macedonia.

Notes: Bosnia and Herzegovina, Bulgaria, Moldova and Montenegro do not have official poverty line.

1. PCC: per capita consumption, PEC: per equivalent adult consumption; all else being equal, PCC indicates higher poverty; PEI: per equivalent adult income.
2. OECD–1 scale: 0.3 + 0.7 * adults + 0.5 * children;
   OECD–2 scale: 0.5 + 0.5 * adults + 0.3 * children.
3. Food line consumption patterns: portion of the consumption distribution whose consumption patterns are used as a basis for determining the cost of the minimal food-basket.
4. Among individuals, except for Macedonia where the rate refers to households.
5. The Anti-Poverty and Social Inclusion Advancement Commission (APSIAC) set the poverty line somewhat lower and the poverty rate higher (25.1 percent).

The measurement of poverty is also affected by household size and the age distribution of the household. Due to the economies of scale, the same per capita income or consumption results in higher welfare for an individual household member in extended households. In addition, the consumption of a child is generally lower than that of an adult. In order to control for these effects, researchers frequently apply equivalence scales. Croatia adopted the modified OECD scale ($0.5 + 0.5 * \text{adults} + 0.3 * \text{children}$). Macedonia applies the original OECD scale ($0.3 + 0.7 * \text{adults} + 0.5 * \text{children}$). The Romanian and the Serbian equivalence scales do not follow such established international standards, but are rather estimated from the respective samples. As an exception, the Albanian poverty measurement uses per capita consumption (PCC).

Annex 2
ILO Definition of Employment

The 13th International Conference of Labour Statisticians (Geneva, 1982) adopted the following resolution concerning statistics on the economically active population, employment, unemployment and underemployment:

(1) The "employed" comprise all persons above a specific age who during a specified brief period, either one week or one day, were in the following categories:

- (a) "paid employment":
  - (a.1.) "at work": persons who during the reference period performed some work for a wage or salary, in cash or in kind; and
  - (a.2.) "with a job but not at work": persons who, having already worked in their present job, were temporarily not at work during the reference period and had a formal attachment to their job. This formal job attachment should be determined in the light of national circumstances, according to one or more of the following criteria:
    - (i) the continued receipt of wage or salary;
    - (ii) an assurance of return to work following the end of the contingency, or an agreement as to the date of return;
    - (iii) the elapsed duration of absence from the job which, wherever relevant, may be that duration for which workers can receive compensation benefits without obligations to accept other jobs.

(b) "self-employment":

(b.1.) "at work": persons who, during the reference period, performed some work for profit or family gain, in cash or in kind;

(b.2.) "with an enterprise but not at work": persons with an enterprise, which may be a business enterprise, a farm or a service undertaking, who were temporarily not at work during the reference period for any specific reason.

(2) For operational purposes, the notion "some work" may be interpreted as work for at least one hour.

(3) Persons temporarily not at work because of illness or injury, holiday or vacation, strike or lockout, educational or training leave, maternity or parental leave, reduction in economic activity, temporary disorganization or suspension of work due to such reasons as bad weather, mechanical or electrical breakdown, or shortage of raw materials or fuels, or other temporary absence with or without leave should be considered as in paid employment provided they had a formal job attachment.

(4) Employers, own-account workers and members of producers' cooperatives should be considered as in self-employment and classified as "at work" or "not at work", as the case may be.

(5) Unpaid family workers at work should be considered as in self-employment irrespective of the number of hours worked during the reference period. Countries which prefer for special reasons to set a minimum time criterion for the inclusion of unpaid family workers among the employed should identify and separately classify those who worked less than the prescribed time.

(6) Persons engaged in the production of economic goods and services for own and household consumption should be considered as in self-employment if such production comprises an important contribution to the total consumption of the household.

(7) Apprentices who received pay in cash or in kind should be considered in paid employment and classified as "at work" or "not at work" on the same basis as other persons in paid employment.

(8) Students, homemakers and others mainly engaged in non-economic activities during the reference period, who at the same time were in paid employment or self-employment as defined in sub-paragraph (1) above should be considered as employed on the same basis as other categories of employed persons and be identified separately, where possible.

(9) Members of the armed forces should be included among persons in paid employment. The armed forces should include both the regular and temporary members as specified in the most recent revision of the International Standard Classification of Occupations (ISCO).

Annex 3

Pension Systems, Dependency Ratios, 2004

Table A3.1

	Working age population (15–64)	Number of pension scheme contributors	Number of pensioners	Pension system dependency ratio
Albania[1]	2,015,456	698,219	557,742	1:1.251
Bosnia and Herzegovina				
Federation of B&H[2]	n.a.	343,850	299,000	1:1.15
Republika Srpska[3]	290,000	140,000	188,762	1:0.74
Bulgaria[4]	5,361,782	2,491,829	2,327,807	1:1.07
Croatia [5]	2,984,300	1,460,105	1,065,655	1:1.37
FYR Macedonia[6]	1,381,352	332,728	249,421	1:1.3 (2002)
Moldova[7]	2,538,807	870,000	620,692	1:1.401
Romania[8]	15,013,339	4,755,944	4,610,000	1:1.03
Serbia[9]	5,032,805			
employed		1,465,046	1,241,062	1.18
self-employed		248,878	43,938	5.66
farmers		270,576	223,394	1.21
Montenegro[10]	411,553	165,000	92,671	1:1.78

Sources:

1. Social Insurance Institute, correspondence with Merita Xhumari, 9 June 2005.
2. Pension and Disability Insurance Institute, Federation of Bosnia and Herzegovina.
3. Department of Pension Insurance, Republica Srpska, Olivera Kunjadić, statement at ILO Conference on Social Dialogue and Pension Reform, Mostar, 25–26 April 2005.
4. National Social Security Institute, correspondence with Penka Taneva, 16 September 2005.

5. Institute for Public Finance, correspondence with Predrag Bejaković, 16 September 2005.
6. Pension and Disability Fund of Macedonia. (2003). *Profile and Overview of Activity.* (p.11).
7. National Office of Social Insurance, correspondence with Tamara Shumskaia, 15 June 2005.
8. National House of Pensions and other Social Insurance Rights, correspondence with Cristian Toma, 19 September 2005.
9. Employees' Pension Fund, Fund for Pension and Disability Insurance of Self-employed, and Pension Fund of Farmers, correspondence with Miloš Nikač, 27 June 2005.
10. Ministry of Labour, correspondence with Aleksandra Višnjić, 9 June 2005.

Annex 4
Pension Contribution Rates

Table A4.1
Total rates, worker and employer shares, 2004 [as a % of insured wages]

	Employers	Employees	Total
Albania	21.3	8.6	29.9[1]
Bosnia and Herzegovina			
Federation of B&H	7 gross wage	17 gross wage	24 gross wage
Republika Srpska	24 net wage	—	24 net wage
Bulgaria	21.75	7.25	29[2]
Croatia	—	20	20
FYR Macedonia	21.2 gross wage	—	21.2
Moldova	29[3]	1[4]	30
Romania	23.33[5]	11.67	Depends on employer rate
Serbia and Montenegro			
Serbia	10.3	10.3	20.6
Montenegro	12	12	24

Source: ILO Budapest email survey of labour ministries and pension institutions.

Notes:

1. The total social insurance contribution rate is 38.5 percent, with 29% paid by employers and 9.5% by workers. In addition to old age, disability, and survivors benefits, which are financed by the 29.9% rate above, the total rate also covers maternity, occupational accidents, sickness, and unemployment.
2. For arduous and very arduous working conditions, the employer pays –
   - for the second work category, 3% more to the first pillar fund (24.75%), plus 7% to a second pillar occupational fund
   - for the first work category, 3% more to the first pillar fund (24.75%), plus 12% to a second pillar occupational fund.

3. 29% of payroll for agriculture and industry, 30% for state budget-supported organizations.
4. 23% of earnings for self-employed.
5. 23.33% for normal working conditions, 28.33% for arduous and 33.33% for very arduous working conditions.

Table A4.2
Diversion of contributions to mandatory second tiers, 2004

	Total			PAYGO [1st tier]			Pre-funded [2nd tier]
	Sum	Employer	Employee	Sum	Employer	Employee	
Bulgaria	29.00	21.75	7.25	26.00	19.50	6.50	3.00[1]
Croatia			20	15	—	15	5.00
Macedonia	—						

Source: ILO Budapest email survey of labour ministries and pension institutions.

Note: 1. Consists of 2.25% paid by the employer and 0.75% paid by the worker. The second tier is obligatory for persons born on or after 1 January 1960. Persons who do not participate in the funded tier and contribute 29% for the first tier. The allocation of contributions between the first and second tiers is determined each year in the annual budget law.

Annex 5

Social Security Schemes, Country by Country

Table A5.1
Social security schemes in Albania

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers /total revenues [%][1]	Number of recipients/ total population [%]
A-S1	Compulsory social insurance	Social Insurance Institute	62.9	78	19	18.5
A-S2	Compulsory social insurance for the self-employed farmers	Social Insurance Institute	in A-S1	in A-S1	in A-S1	in A-S1
A-S3	Voluntary social insurance	Social Insurance Institute	0.0	100	0	n.a.
A-S4	Supplementary social insurance for military personnel	Social Insurance Institute	2.2	0	100	0.4
A-S5	State supplementary pensions for civil servants	Social Insurance Institute	0.2	0	71	0.0
A-S6	Employment services	National Employment Service	3.3	99	0	1.4
A-S7	Health care insurance	Health Care Insurance Insitute	6.2	51	45	n.a.
A-S8	Price compensation	Social Insurance Institute	5.9	0	100	n.a.
A-S9	State special pensions	Social Insurance Institute	0.0	0	100	0.0
A-S10	Allowances for Albanian veterans of WWII	Social Insurance Institute	1.6	0	100	1.0
A-S11	Special benefits for people disabled by employment injuries	Social Insurance Institute	0.3	0	100	n.a.
A-S12	Special benefits for hazardous working conditions	Social Insurance Institute	0.9	0	100	0.2
A-S13	Special merit benefits for "war martyr" status	Social Insurance Institute	0.8	0	100	0.1
A-S14	Social assistance	State Social Service	7.6	0	100	17.8[2]

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers /total revenues [%][1]	Number of recipients/ total population [%]
A-S15	Social assistance for disabled	State Social Service	7.3	0	100	1.7
A-S16	Social services	State Social Service	0.6	0	100	0.0

Notes:
1. Contributions and government transfers do not necessarily add up to 100 percent.
2. Recipients are households; rate is given in proportion of households.

Table A5.2
Social security schemes in Bulgaria

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
BG-S1	Pension insurance	National Social Security Institute	49.8	77	15	30.3
BG-S2	Non-contributory pensions	National Social Security Institute	4.1	0	100	0.9
BG-S3	Supplementary compulsory pension insurance	Pension insurance companies and Financing Supervision Commission	0.2	50	0	0.2
BG-S4	Unemployment benefits	National Social Security Institute	1.9	100	0	1.2
BG-S5	Active labour market programs	Employment Agency	2.7	0	100	2.2
BG-S6	Employment injury and professional disease	National Social Security Institute	0.5	100	0	0.3
BG-S7	General disease and maternity benefits	National Social Security Institute	6.0	55	45	n.a.
BG-S8	Health care	Ministry of Health, National Health Insurance Fund	26.1	44	50	n.a.
BG-S9	Family benefits for children	Social Assistance Agency	3.5	0	100	12.1
BG-S10	Monthly social assistance benefits	Social Assistance Agency	3.4	0	100	27.5[2]
BG-S11	Targeted assistance for disabled	Social Assistance Agency	0.9	0	100	5.0
BG-S12	Social services	Social Assistance Agency	0.9	0	100	0.7

Notes:
1. Contributions and government transfers do not necessarily add up to 100 percent.
2. Recipients are households; rate is given in proportion of households.

Table A5.3
Social security schemes in Croatia

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/ total population [%]
CRO-S1	Mandatory pension insurance based on generational solidarity	Croatian Pension Insurance Institute (CPII)	51.2	79	21	n.a.
CRO-S2	Mandatory pension insurance based on individual capitalized savings	Mandatory pension fund management companies	0.0	89	0	n.a.
CRO-S3	Voluntary pension insurance based on individual capitalized savings	Voluntary Pension Funds Management Companies	0.0	95	3	n.a.
CRO-S4	Basic health insurance	Croatian Institute for Health Insurance (CIHI)	29.4	90	8	n.a.
CRO-S5	Unemployment insurance	Croatian Employment Service (CES)	1.7	94	0	n.a.
CRO-S6	Protection of Croatian defenders of Homeland War and their family members	Ministry of family, defenders and intergenerational solidarity; State administration offices in counties	5.7	0	100	n.a.
CRO-S7	System of social rights for displaced persons, refugees and returnees	Ministry of the See, Tourism, Transport and Development; State Offices for Displaced Persons, Refugees and Returnees	0.3	0	100	n.a.

Table A5.3 (*continued*)
Social security schemes in Croatia

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/ total population [%]
CRO-S8	Rights on the areas of special state concern	Ministry of the See, Tourism, Transport and Development; State Offices for Displaced Persons, Refugees and Returnees; Department for Reconstruction; State Administration Offices in Counties	2.9	0	47	n.a.
CRO-S9	Child benefit	Ministry of Family, Defenders and Inter-Generational Solidarity/ Croatian Pension Insurance Institute (CPII)	3.3	0	100	n.a.
CRO-S10	Maternity benefit for unemployed mothers	Ministry of Family, Defenders and Inter-Generational Solidarity/ Croatian Institute for Health Insurance (CIHI)	n.a.	n.a.	n.a.	n.a.
CRO-S11	Social assistance in competence of central government	Ministry of Health and Social Welfare; Centres of Social Welfare	2.7	0	97	n.a.
CRO-S12	Social assistance in the competence of local authorities	Administration offices in municipalities or cities, Centres of social welfare	2.7	0	100	n.a.
CRO-S13	Social assistance in the competence of county authorities	Administration offices in counties; Centres of social welfare	n.a.	n.a	n.a.	n.a.

Note: 1. Contributions and government transfers do not necessarily add up to 100 percent.

Table A5.4
Social security schemes in FYR Macedonia

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/ total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
MK-S1	Pension and disability insurance	Pension and disability found – PDIF	52.3	62	31	n.a.
MK-S2	Health insurance	Health insurance fund	27.0	58	4	n.a.
MK-S3	Social security	Ministry of Labour and Social security	9.1	0	100	n.a.
MK-S4	Unemployment benefit	National Employment Bureau	11.5	20	80	n.a.
MK-S5	Children protection	Ministry of Labour and Social Policy	n.a.	n.a.	n.a.	n.a.
MK-S6	Basic education	Ministry of education and science	n.a.	n.a.	n.a.	n.a.

Note: 1. Contributions and government transfers do not necessarily add up to 100 percent.

Table A5.5
Social security schemes in Moldova

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/ total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
MD-S1	State Social Insurance	National Social Insurance Office	80.0	100	0	27.1
MD-S2	State Social Security	National Social Insurance Office	18.4	0	93	13.5
MD-S3	Social Assistance	Republican Fund of Social Support of the Population	1.6	0	96	9.3

Note: 1. Contributions and government transfers do not necessarily add up to 100 percent.

Table A5.6
Social security schemes in Montenegro

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/ total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
MN-S1	Family support	Ministry for Labour and Social Affairs	3.3	0	100	18.6[2]
MN-S2	Child Allowance	Ministry for Labour and Social Affairs	2.3	0	100	4.2
MN-S3	Maternity leave	Ministry for Labour and Social Affairs	1.8	0	100	0.8
MN-S4	Pension	Pension Fund	56.5	59	22	14.8
MN-S5	Old age insurance for farmers	Ministry for Agriculture	0.7	0	100	1.0
MN-S6	Health care	Health Care Fund	28.6	71	0	n.a.
MN-S7	Scheme for refugees and internally displaced persons	National Commissariat for refugees and internally displaced persons	n.a.	n.a.	n.a.	5.1
MN-S8	Unemployment	Employment office of Montenegro	4.2	18	21	1.1
MN-S9	Employment injury	Employment office and enterprises	n.a.	n.a.	n.a.	1.2
MN-S10	War veterans scheme	Ministry for Labour and Social Affairs and Pension Fund	2.6	0	100	1.3

Notes:
1. Contributions and government transfers do not necessarily add up to 100 percent.
2. Recipients are households; rate is given in proportion of households.

Table A5.7
Social security schemes in Romania

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/ total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
RO-S1	Unemployment insurance and stimulation of labour force employment system	National Agency for Labour Force Employment	6.3	83	0	n.a.
RO-S2	Health social insurance system	National House of Health Insurance	28.1	97	0	n.a.
RO-S3	National program no. 3 for the health of child and family	Ministry of Health	0.4	n.a.	n.a.	n.a.
RO-S4	Scheme of the gratuities and reduced tariffs for transport services	Ministry of Transport, Constructions and Tourism	0.4	n.a.	n.a.	n.a.
RO-S5	Social housing	Ministry of Transport, Constructions and Tourism	3.0	n.a.	n.a.	n.a.
RO-S6.01	National system of social assistance	Ministry of Labour, Social Solidarity and Family	2.7	0	100	n.a.
RO-S6.02	National system of social assistance	Local level of government	n.a.	n.a.	n.a.	n.a.
RO-S6.03	National system of social assistance	Ministry of Education and Research	n.a.	n.a.	n.a.	n.a.
RO-S7	Public pension system and other social insurance benefits	National House of Pensions and Other Social Insurance Benefits	55.8	90	0	n.a.

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/ total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
RO-S8	Scheme financed from the general revenue (state budget) and administered by the national house of pensions and other social insurance benefits	National House of Pensions and Other Social Insurance Benefits	3.3	0	100	n.a.
RO-S9	Unique, specific and autonomous system of pensions and other social insurance benefits, administered by the lawyers' insurance house	Lawyers' insurance house	n.a.	n.a.	n.a.	n.a.
RO-S10	State military pensions and social insurance system in the field of national defense, public order and national security	Ministry of National Defense, Ministry of Administration and Interior, Romanian Intelligence Service	n.a.	n.a.	n.a.	n.a.

Note: 1. Contributions and government transfers do not necessarily add up to 100 percent.

Table A5.8
Social security schemes in Serbia

	Name of scheme	Institution administering the scheme	Social benefit outlays of scheme/ total social security benefits [%]	Contributions/ total revenues [%][1]	Government transfers/total revenues [%][1]	Number of recipients/total population [%]
S-S1	Old age, disability and survivors insurance of employees	Pension Fund of Employees	55.9	56	42	34.0
S-S2	Old age, disability and survivors insurance of self-employed	Fund for Pension and Disability Insurance of Self-employed	2.0	74	0	1.2
S-S3	Old age, disability and survivors insurance for farmers	Pension Fund of Farmers	1.9	20	74	5.6
S-S4	Social security of war veterans, war and military invalids, war victim families	Ministry of Labour, Employment and Social Policy	2.5	0	100	2.9[2]
S-S5	Health Protection	Ministry of Health and Republic Bureau for Health Insurance	0.4	0	100	11.0
S-S6	Health Insurance	Ministry of Health and Republic Bureau for Health Insurance	26.7	72	6	n.a.
S-S7	Unemployment benefit	National bureau for employment	3.5	47	52	1.1
S-S8	Financial support to families with children	Ministry of Labour, Employment and Social Policy	5.7	0	100	6.7
S-S9	Material support to families	Ministry of Labour, Employment and Social Policy	1.3	0	100	0.8

Notes:
1. Contributions and government transfers do not necessarily add up to 100 percent.
2. Recipients are households; rate is given in proportion of households.