Abstract

The years-long poverty measurements by applying the relative and subjective method have enabled identification of the basic poverty profiles.

The poverty measurement and observation by the double method and using the information on the basic structures of state benefits users have enabled identification of three basic groups of poor families: traditionally poor, newly impoverished families and chronically poor families.

The aim of this work is to examine, describe and explain the newly impoverished families, using the data obtained from the qualitative measurements.

It also gives an answer why the qualitative approach was applied in the measuring of this phenomenon.

Newly impoverished families are those that have felt the dynamic decline of the living standard during the transition period (households without a single employed member, households with employed members who do not get salaries on time, households having more members).

Various data sources have been used in the analysis: natural environment observation, an interview (individual and group), and various types of written documents. Without any additional interventions of the researcher, information given by the media were used, conversations of citizens and politicians were carefully listened to for this problem.
These families had difficulties adjusting to the newly emerged situation. They mostly try to find a way out of this situation in the grey economy. The reproductive situation of the second generation of poor from this kind of families is evident.

The generalizations made for the researched problem, the newly impoverished families, arise mostly from the research elaborated with detailed information for 20 families (newly impoverished) followed through a 10-year period.

**Key words:** Poverty, qualitative measurements, newly impoverished families.

Poverty is a multidimensional phenomenon corresponding to certain living conditions which prevent (hinder) the participation in the social life of the community we belong to. There have always been and always will be poor people all over the world. Poverty is like the cold, says a fellow citizen, you cannot see it, but you can feel it; and in order to feel it, you must be poor. We do not fully agree with the statement, but in order to understand the poor better, which is the purpose of this work, we have used different data sources and qualitative techniques.

A particular retrospection of the qualitative data has been made in this work, which are obtained from the observations of 20 newly impoverished families in the period between 2003 and 2013. The aim is to provide a motion picture of the newly impoverished families in the Republic of Macedonia for the purpose of obtaining more definite knowledge of their living conditions, the manner of handling their lives, their attitude towards the education, health, nutrition, hygiene as well as the social consequences arising from living in poverty. At the same time, the aim of this work is to generate new hypothesis on this social phenomenon.
1. Poverty profile in the Republic of Macedonia

The poverty measurement and observation according to the double method using the information on the basic structures of state benefits users have enabled identification of three basic groups of poor families: traditionally poor, newly impoverished families and chronically poor families. (Donevska, Dimitrievska, Novkovska, 2011).

Traditionally poor families are those with low level of education of the family members, old members, low economic potential, often the basic source of subsistence is the income generated from small-scale agriculture.

Chronically poor families are those belonging to the vulnerable categories. Namely those are families having chronically ill members, old persons, handicapped and other.

Newly impoverished families are those that have felt the dynamic decline of the living standard during the transition period (households without a single employed member, households with employed members who do not get salaries on time, households having more members). These families are "victims" of the transition process in our country (Nikolovska, Davkova, 2001). Those are families whose members have lost their jobs or earn minimum salaries or their salaries are 3-4 months late. The actual incomes of these families are too low or they do not have any incomes. Those are families that used to be part of the middle social class (Haralambos, Holborn, 2002).

2. Methodological approach

We are aware of the opposition that certain number of methodologists have in relation to the use of the qualitative research approach (Lisa, 2008). Namely guiding ourselves from the research aims, this work has used a qualitative research approach.
Why a qualitative orientation in the research? Because our aim is to systematically collect data on the newly impoverished families by means of impressions, words, sentences, etc., directly from the members of these families. We think that by the interpretative and critical sociological approach, using the logic in the acting, speaking the language of “cases and contexts”, researching the newly impoverished families in detail and authentically, we will obtain a detailed, precise image of these families. In that manner, we get a clear image of the background or the context of this phenomenon, we will enrich the scientific collection for this social phenomenon and at the same time we shall justify the aims set. That is the reason the qualitative research orientation had been selected (Carl, Louise, 2003).

2.1 Interviewees – For the purpose of obtaining relevant data of the researched problem, the quota sampling has been used. The research was conducted on 20 newly impoverished families. Twelve newly impoverished families living in Skopje, one from each of the towns Gostivar, Tetovo, Kumanovo and Kavadarci and 4 families living in a rural environment (3 from the Tetovo region and one from the Kumanovo region) have been selected.

2.2 The research time line – Guiding ourselves from the aims, the necessity for giving a “motion picture” of the living conditions, the manner of handling their lives, the attitude towards the education, health and nutrition, and the social consequences, a panel longitudinal research has been used (Annabel, Bryan, 2008). The period between 2003 and 2013 has been encompassed for the needs of this work.

2.3 The research process– The language of cases and contexts has been used during the research, as well as bricolage techniques (Newman, 2009). An oriented case has been used – newly impoverished families in the Republic of Macedonia. A great range of variables has been researched: life quality, education, health, nutrition, social consequences, etc. The coexistence of several factors and events has been analyzed in the period of research. The explanation and interpretation are in the form of narratives, given through time sequences.
3. Results

Since the aim of this work is an analysis of the living conditions of the newly impoverished families, the manner of handling their lives, the attitude towards the education, health, nutrition, hygiene and social consequences, the inductive method has been used in gathering the data from the panel longitudinal research. Thereby new hypotheses and theoretical concepts have been generated for this social group. In this work there are motion pictures of only seven newly impoverished families presented as narratives.

Family 1 – 2003, 4-member family. The head of the family is 46 years old, unemployed due to bankruptcy, secondary technical school. The wife is 45 years old, unemployed due to bankruptcy, finished secondary school. The son is 15 years old and a high school student. The 69 year-old father of the head of the family lives with them, he is retired.

Living conditions (2003) – They live in an apartment of 60 m². They have received the apartment from the factory where the spouses had worked. They buy off the apartment in instalments. Each forth year they pay 800 EUR in order to buy off the apartment. It is well equipped. Most of the things inside have been bought after their wedding. The apartment maintenance is a problem for this family. The host says, we used to paint it every year (when both the spouses had worked), now every forth year or so. They use woods for heating and they collect them by themselves (with a licence). They regularly pay the utility bills. They pay special attention to the electricity consumption. They have a car and use it only when necessary. Namely, the wife`s mother lives in a nearby village. She provides them with various victuals.

Living conditions (2013) – They still live in the same apartment. Nothing has been replaced during the period of research, the things have been ruined. They cannot pay the regular instalment for the apartment or the utility bills. The electricity has been cut off several times. The car has not been licensed, the wife`s mother passed away 6 years ago. As the head of the family says, we have no need for licensing the car, to get even
deeper in debts, we are already drowning in debts. The father of the head of the family passed away in 2010. Now they do not even have his pension, or any additional income from the village.

How had they lived in the period between 2003 and 2013? In 1989 when the wife had been blackmailed (to either leave the job or return the apartment), she was dismissed. The husband says, ever since then our life has been going downwards. We started living a very modest life. We are careful of every single penny. In the beginning (2003) the only income in this family was the father’s pension. They had help from the wife’s mother. She provides them with food. After the death of the father and the wife’s mother (2010, 2007) this family has no income. They survive by collecting medicinal plants.

Today (2013), the husband says, that income has also been cut down. I need to ask for licence for collecting plants every year, and that licence needs to be paid but is not always obtained. Many times the plants rot because a sale is difficult. Now they often borrow some money (1000, 2000 denars) in order to survive, but that possibility is also gradually slipping away. We have no one to ask from, says the head of the family.

This family has no income. In the beginning (2003), 60% of the family budget was spent on food, 10% on utility bills and the remaining 30% on hygiene, clothes, gasoline, wood and other. In 2013 their condition is concerning, they have no money for food.

Youth and education – (2003) The son is in his sophomore year at high school and has no problem with the learning. The provisioning of books is however a problem. He goes to school on foot, he carries a home-made snack. Just like his parents, he has a positive attitude towards the education, wants to continue to the university. He goes out with friends once a month. The parents think that he should go out when he gets older and then they will try to provide him with more money.

Today (2013), the son is 25 years old. After finishing high school, he did not continue with his education. He goes out with his friend more
rarely. He says, I am embarrassed, I cannot pay for a single drink. He starts looking for a job, works whatever he finds, but not as an economic technician. He also was abroad, but he did not succeed. He has no girlfriend. The condition of his family, he says, “strongly affects me, I do not feel secure. I am very strained when communicating with the others. I am constantly afraid that I might embarrass myself.”

Nutrition (2003-2013) – Due to the good planning and the cooking skills of the wife and the fresh food produced by the wife’s mother, the family had a proper nutrition until 2007. They used to buy 1 kilo meat every week. Each day the wife has made various soups, home-made bread, has prepared a lot of winter salads, collected various fruits in the mountain and made juices, jam and other. The victuals used are mostly home produced or procured from the stores with the lowest prices. There has been a remarkable change of the food quality after the death of the wife’s mother.

Hygiene (2003-2013) – The personal hygiene and that of the home is at a satisfactory level. The hygiene habits have not been changed after ten years.

Health. - The members of this family have been exposed to stressful situations during the entire period. Insomnia and tension have been constantly present with all family members as a result of the situation. Due to the stress, especially with the parents comes to functional disturbances (heart beating – tachycardia, increased blood pressure) and the wife even has organic damages (stomach ulcer). The son has got a reduced immune system.

Social consequences – In this period, this family managed to maintain a good social communication with the family members, relatives and friends. However, it has changed its lifestyle. They have not been on a holiday since 1990. Their son has not been on holiday yet. In the beginning (2003) they went to various celebrations and weddings, cutting down the already small budget or giving as a gift something that they had previously bought (for example, bed linens). Now they go almost
nowhere, as they say "we are ashamed to go empty-handed, although our friends and family know our situations".

**Family 2** - 2003 Four-member family. The head of the family is 47 years old, unemployed due to bankruptcy, secondary education. The wife is 44 years old, left her job, secondary education. They have two children. The daughter is the third year in her junior year at high school; the son is in the eighth grade.

Living conditions (2003) – They live in a residential house, owned by the wife’s mother. Their house is averagely equipped. There have been no significant changes ever since the house had been built. They regularly pay the utility bills.

Living conditions (2013) – The live in the same house. Nothing has been replaced in the house, it is literally being ruined both from the inside as well as from the outside. The things have already been ruined, the more valuable things have been sold in this period. They have no TV, the washing machine has been long broken, the wife says "I cannot buy a new one, I am drowning in debts.” They cannot pay the utility bills. Their electricity has been cut off for a longer period.

How had they lived in the period between 2003 and 2013? As of 2003 the family lives from the wife’s salary earning it by depilation and the minimal pension of her mother. She made a good earning for a certain period. Her income has been decreasing with each passing year. The husband works something privately, but he cannot find a permanent employment. They have been divorced since 2006. The children live with the wife. This family has no income. The wife’s mother passed away 8 years ago. So far this family has not applied for state benefit, the wife says “I was ashamed”. But the difficult and hopeless situation forces her to submit a request. She is in a procedure for appointing an allowance.

Youth and education – (2003) the daughter is in her junior year in high school, the son is in eighth grade. The parents` attitude towards their own education and that of the children is basically positive. The inferior
socio-economic status of the family has a strong influence on the children’s attitude towards the education, especially with the boy.

In this ten-year period, the daughter started working in cafes even when she was still in high school, many times she has spent the nights with suspicious clients. She has enrolled at the Faculty of Law. In 2013 we have no contact with her. The mother says that they have gotten into an argument and she lives with her father.

The son has finished high school, from time to time works with the neighbour who has a private company (because of compassion, not because there is a real need in the company for such profile). The son is not communicative, he is a very closed person.

Nutrition - Due to the wife’s mother, who provided the family with food, many times she had prepared various winter salads, pies and soups, until her death this family had a proper nutrition. As the family goes deeper in crisis, the nutrition gets worse. The reason is mostly lack of money, but also the non-economical attitude of the wife. When she has some money she spends it irrationally, when she has no money she starves. In the last period (2012-2013) according to the wife’s statement “sometimes we drink only water for several days”.

Hygiene – In the beginning the personal hygiene and that of the home is at a satisfactory level. Today the condition of the house is worrisome.

Health condition – As a result of the situation the family is in, all members have health problems. The mother has mostly organic damages (stomach ulcer, vascular spasm, thyroid gland diseases). In the past years she has had noticeable mental problems (depression). The son acts very strangely. He is inside the house all day long. Their house is almost empty with no electricity. The daughter has visible mental problems (narcotic dependence).
Consequences – As a consequence of the permanent exposure to stress in the researched period, the members of the family suffer from functional disturbances, psycho-somatic diseases and mental problems. The parents get divorced. The daughter has set on a wrong path (narcotics, prostitution). The son is self-isolated, he does not communicate, has no girlfriend, no job. For a very short period, the mother tries to find a way out in prostitution, but fails to do so and is morally ruined.

Family 3 - (2003) 4-member family. The wife is 39 years old, unemployed due to bankruptcy, two daughters - students, and husband 45-years old, also unemployed due to bankruptcy.

Living conditions – (2003) live in their small house in the centre of Kumanovo. The house is in a good condition, not a lot of furniture, but it is clean. They have some difficulties paying the utility bills, but the electricity has never been cut off.

Living conditions (2013) – The live in the same house. There are small changes in the furniture of the house. They maintain the house regularly by themselves (painting, home repairs and other). They bought a second-hand car.

Youth and education – Two daughters, in the researched period, were finishing the university and have passed all exams from their master studies. They still haven’t finished their master studies. Now the money is the problem. Namely, both should some fine because they failed to finish the master studies within the set deadline. The children are very humble, they have many friends, they go out and socialize, they also go on holidays. Their parents have made too many sacrifices and they say “we do not want them to feel poor”. The parents paid them driving lessons, although they needed a lot of money, they somehow managed to find it, they also bought a car so the girls do not go on foot at night. Employment is the girls’ problem, they have not been employed yet. The older daughter works as a sales assistant, but with a deed contract.
How had they lived in the period between 2003 and 2013? During the entire researched period, this family lives with temporary minimum income generated by the wife’s tailor works, the manual labour of the husband (grape vine pruning, excavation, water well excavation and other), and as of 2007 the salary of the older daughter.

This family is very harmonious, with cheerful spirit and all family members help each other and work in the fields they have in one Kumanovo village. There they produce, as they say “everything we need”. They buy nothing from the market. They say: “we have almost every kind of fruits here, we plant everything we need for food, in spring we buy chicks we feed them several months and they we use them for food, our relative feeds one pig for us each year”.

Nutrition – (2003-2013) During the researched period, this family has had a good nutrition. They lack products that they do not produce, but they do not complain, they are aware they the food they produce is of high quality and healthy.

Hygiene – The hygiene habits, both personal and of the home are at a high level during the entire period.

Health – some serious organic damages have not been identified in the entire period, except with the younger daughter who has a reduced immune system. Almost all family members have visible functional disturbances (increased blood pressure, sense of insecurity, heart beating – tachycardia).

Consequences – Observing the family from the outside, one may get the impression that this is not a poor family. They live in harmony and unity. The spouses are very economical. The parents are “victims” of the poverty. They have no social life, they are hard-working, as the daughters say, “as ants”.

**Family 4** - (2003) 6-member family. The husband is 46 years old, has finished 3-year secondary technical school. The wife is 43 years old,
unemployed due to bankruptcy, secondary education. The son is 24 years old, unemployed, secondary education. The daughter is 22 years old, unemployed, secondary education. The father of the head of this family is retired, 67 years old and the mother is a housewife, 64 years old. In 2012 their daughter gets married and lives in Tetovo.

Living conditions – (2003) This family lives in a family house, built 45 years ago in a rural municipality. The house is in a good condition. This family lived on the second floor of the house as a separate household until 2002. After they have no income, they are forced to live together with the father and the mother. The house has all the necessary things. They have a bathroom, kitchen and relatively new furniture. They regularly pay the utility bills.

Living conditions (2013) – The still live in the same house, together as one household. The house is well preserved. There have been no changes in the house.

Youth and education – The son and the daughter have finished secondary school. They have no aspirations to continue their educations, although the parents asked them to do so.

How had they lived in the period between 2003-2013? Ever since the spouses are left unemployed, the family goes through a difficult period. The only secure income is the father’s pension. They have not been employed although 10 years have passed. In the researched period, they work whatever they can find only to earn some money. The husband finds work much more difficultly. He wants to find a job suitable to his education (welder), because as he says, “he cannot work” something else. The wife bears the entire burden, she constantly tries to find a way out. She makes cakes, cookies and other food, sells them, sews for money, cleans other houses, goes to Turkey and buys various products then resells them. The son started working in Switzerland as a seasonal worker two years ago. This family used no state benefit, nor has it ever requested one. They think that it is shameful.
Nutrition (2003-2013) – This family survives on the products they produce during the entire researched period. The father-in-law also does beekeeping. They have many chickens. The wife and the mother of the head of this family are very skillful in cooking.

Hygiene – The hygiene is spotless, beside the fact that they do not use expensive cleaning products. They use natural products they prepare by themselves.

Health – This family has faced many health problems in this period. The daughter has kidney problems. The son had an eye injury that had to be operated. The wife had a womb cyst removal and endocrine system problems. The husband has vascular spasm.

Social consequences - This family puts the social communications at a minimum level. From 2003 to 2013 they have been constantly reducing. They only the celebration of the family’s patron saint. There is an interesting fact that each year they have less and less guests.


Living conditions – (2003) They live in an old house which does not have an indoors bathroom and kitchen with water. They stared building a new house, only the shell is finished.

Living conditions – (2013). Due to the material help they get from the deceased husband’s brother, living in Austria, now they live in the new house, although it is not fully finished. They have an indoor kitchen with water, bathroom, living room and two bedrooms.

How had they lived in the period between 2003 and 2013? In the entire researched period, the family lives from the pension received by the sons, it amounts in approximately 4000-5000 denars, the help from the
brother-in-law and the agricultural revenues. Youth and education – The mother’s attitude towards her own education and that of her sons is positive throughout the entire researched period. The inferior socio-economic status of this family does not affect the children’s attitude towards the education. The older son, who is 26 years old, is exceptionally talented. He finished university and master studies in Vienna. The younger son is at the university, but has not graduated yet.

Nutrition – in the entire research period, this family has no nutritional problems. Due to the mother’s effort, this family has a very good nutrition. She is exceptionally well-organized, this family produces all the necessary food. They have cattle. They produce milk and cheese, sour cream and other dairy products. They have many chickens. They sell the eggs. Each year they have 1-2 pigs and a calf for their needs, but also for sale.

Health – The health condition of all family members is normal, except of the daughter-in-law. She has a constant high blood pressure.

Hygiene – The hygiene is at a high level in the entire researched period.

Social consequences – There is an interesting data that the family members in the entire researched period have not reduced the social communications.

Family 6 – (2003) 3-member family. The husband is 46 years old, unemployed due to bankruptcy, secondary education. The wife is 42 years old, unemployed due to bankruptcy, secondary technical school. One daughter, 22 years old.

Living conditions (2003) – They live in an apartment of 55 m2. They have received the apartment from the factory where the spouses had worked. It is very well equipped.
Living conditions – (2013) They still live in the same apartment, but it is pretty ruined. Part of the furniture and appliances has been sold out. There is a significant worsening of the living conditions from 2003 until 2013.

How had they lived in the period between 2003 and 2013? In the beginning, the family rents a space and opens a clothes shop. They procure the goods from Bulgaria, Turkey, Greece and Hungary. Soon in 2006 they entered into big debts and faced a great difficulty. They could not return the debt they have borrowed from the usurers. The problems of this family began then. The husband committed a suicide. The wife was totally ruined. She started selling everything she could (car, appliances, music systems, etc.). The daughter ceased her studies in Skopje and started working. But they did not earn enough money. Their debts increased. Now, they sold the apartment. The family is on the edge of survival, because beside the minimum help by the son-in-law’s parents (mostly agricultural products), the temporary employments of the son-in-law and the daughter, they have no income.

Youth and education – The parents’ attitude towards their own education and that of the daughter was positive in the beginning. As the family started decaying, the lost interest in education. The inferior socio-economic status of this family affected the daughter’s attitude towards the education. She neither finished the university, nor wanted to. She got married in 2011 and has a son. She does not have a permanent employment, or her husband.

Nutrition – This family has not has healthy eating habits in the entire researched period. In the beginning, they usually ate junk food (pizza, barbeque, sandwiches, etc) as they stated, “we have no time for cooking, and we are either on the road or in the shop”. Later, they changed the eating style, when they started having financial difficulties. They buy cheap food in shops where they can pay by instalments. In the last years, they cannot buy products in that manner. Many times they say, “We cannot event buy bread”.

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Health – The health condition of all members is ruined in the researched period. The husband had psychological problems – anxiety and alcohol dependence. He ended by suicide. In the researched period, the wife has had organic damages (stomach ulcer and diabetes) and psychological problems (severe depression). The daughter has had frequent functional disturbances (increased blood pressure, heavy breathing, disturbed sleep, sense of tension).

Hygiene – The hygiene in the beginning was at a very high level, but as the family got into troubles, the interest for hygiene in the apartment and the personal hygiene was reduced, especially with the wife.

Social consequences – In the researched period, the family has suffered many traumas. Larger amounts of alcohol were consumed, especially by the husband. Frequent fights, violence, suicide, are part of it.

Family 7 - (2003) 4-member family – The husband 44 years old, unemployed due to bankruptcy, secondary education. The wife is 42 years old, unemployed due to bankruptcy, higher education. One daughter, 19 years old. Wife’s mother, 65 years old, retired.

Living conditions (2003) – They live in a two-bedroom apartment of 60m², owned by the wife’s mother. The apartment is well equipped, but does not meet the needs of the family members. Three generations live here and have only one separate room. The kitchen and living room are together. There are frequent tensions among the members.

Living conditions – (2013) The living conditions have been drastically changed in this family. The apartment in 2013 is quite ruined. The wife is mentally ill, the wife’s mother is deceased, the daughter has gone abroad (they do not know where). The wife has been in a mental institution since 2012. Last time we contacted the husband was in 2012, he does not live in the apartment.
How had they lived in the period between 2003 and 2013? In the beginning, the family lived from the wife’s mother’s pension. Later on they had state benefit.

Youth and education – The parents attitude towards their own education and that of the daughter was positive in the beginning, especially the mother’s attitude. As the family started decaying, they lost interest in education. The inferior socio-economic status, the mother’s illness and the arguments between the parents affected the daughter’s attitude towards the education. She finished secondary education. She failed to enrol at the state university with scholarship and did not continue her education. She started working on a cruiser.

Nutrition – This family has not had healthy eating habits in the entire researched period. In the beginning, the wife’s mother prepared food. It was mostly unvaried.

Health – The health condition of all members is ruined in the researched period. The daughter has remarkable mental problems. The husband has nicotine and alcohol addiction. The severe financial condition and the stress had particularly affected the wife’s health. She has organic damages and mental problems.

Hygiene – The hygiene in the beginning was at a very high level, but as the family got into troubles, the interest for hygiene in the apartment and the personal hygiene has been reduced.

Social consequences – In the researched period, the family has suffered many traumas. The husband has consumed large amounts of alcohol. Frequent fights, violence, mental illness of the wife, the daughter frequently ran away from home, all are part of it.
4. Conclusions

The conducted analysis of twenty newly impoverished families in the period between 2003 and 2013 has led to the following conclusions:

With regards to the living conditions of the researched newly impoverished families, they all live in a house/apartment, owned by their parents/themselves. In the period between 2003 and 2013 there have been changes in all families, depending how the family members handle themselves in life. There is an obvious relation between: duration of the poverty in the newly impoverished families and the condition of the house/apartment; duration of the poverty and whether they live as an independent family or household; duration of the poverty in the newly impoverished families and the manner they handle the life. We would like to put an emphasis on the duration of the poverty in the newly impoverished families and the cohesion among the family members.

Conclusions with regards to how they handle the life – The fact that it comes to family members who are not employed in the public or the private sector, they try to find their way out in non-formal employments. The men, women and children try to handle in different manners. There is a noticeable difference in the manner how the newly impoverished families handle their lives, depending on the fact if they can work in the agriculture, if they have saved some money and if they have some help from the parents, relatives, etc.

A special emphasis should be put on the relation between the male and female labour in the family and the way of living, when the family is in poverty. Namely, the research generates the presumption that the women in the newly impoverished families handle themselves on the labour market much better than the men. Due to her (female) resourcefulness and complete dedication to the family, these families mostly survive.

With regards to the parents’ attitudes towards the education, it can be concluded that they are mostly generated by: the degree of their
education, duration of the poverty and the cultural attitude towards the education. The parents’ attitude towards their own education and that of the children is basically positive. The parents’ attitudes change depending on the duration of the poverty. The parents’ attitudes towards their own education and that of their children change depending on the duration of the poverty. Namely, if they see no perspective and mechanisms for overcoming the poverty, their interest in education reduces.

The children’s attitudes towards the education depend on: the duration of the poverty; the inferior socio-economic status of the family; inability to raise awareness in such inferior position for the need for education, as well as inability to raise awareness that the education is an important factor for a way out of the poverty. There is also the attitude of their parents, as well as the absence of a wider and more efficient social action for overcoming the unfavourable conditions of the members of such families. This does not apply to the particularly talented children.

With regards to the nutrition of the newly impoverished families, there is an indisputable fact that the poverty affects the quality of the food. However, the condition itself imposes a special nutrition manner, consuming seasonal fruits, home-made meals with seasonal vegetables, home-made winter salads in the winter period. The difficult situation forces them to try to find a way out (they produce various fruits and vegetables by themselves, if they can, they are well informed where and when the victuals are the cheapest, etc.). An emphasis should be put on the resourcefulness and the skills for survival, and consuming “healthy” food.

With regards to the hygiene, we can conclude that the personal hygiene and that of the home in the newly impoverished families is at a satisfactory level throughout the entire researched period. The hygiene products are mostly used in a reduced manner. There is only a difference in the hygiene habits, only in those newly impoverished families that in the entire researched period have continuously faced financial problems.

When it comes to the health, the fact that these families used to have financial means and now they do not (some families have no
financial means in the entire researched period), the stress is constantly present with all family members. Due to the stress, the family members of the newly impoverished families have functional disturbances, psychosomatic and mental illnesses. Beside the general tendency of these families to protect the children against stressful situations as much as possible, only few manage to do that. The health consequences from the poverty are more noticeable with the parents. The cardio-vascular illnesses and the mental diseases are among the most common functional disturbances.

There are numerous social consequences from the poverty, however the common feature for all research families is the reduced social communication, especially the parents’, as well as the moral and mental decay, especially if there are no minimal positive changes in their financial situation in the entire researched period.

Based on the published conclusions from the panel longitudinal research of the newly impoverished families in the Republic of Macedonia, the following conclusions and recommendations arise.

It is undisputable that the newly impoverished families have a bad quality of life by the fact that they are poor. Their living quality is directly related to the duration of the poverty. The longer the poverty lasts, the higher the risk is for worsening of: the living conditions, hygiene habits, nutrition, health condition of the newly impoverished families. The duration of the poverty affects the attitudes toward the education. Namely, the longer the period of poverty, the more parents’ attitude toward their own education and that of the children goes from positive to negative. The duration of the poverty affects the manner how the men, women and children handle their lives in these newly impoverished families. The women in the newly impoverished families handle themselves on the labour market much better than the men. The longer the period of poverty the greater the risk of functional disturbances, psycho-somatic and mental illnesses is with the members of the newly impoverished families. The longer the period of poverty the greater the risk of self-isolation of the members of these families is. The findings related to the social grouping
are worrisome. Namely, if the period of poverty is longer, the children of these families tend to socialize only with other children like them.

An efficient way out of the poverty and improvement of the living quality of the newly impoverished families might be an investment in the education of these poor children, as well as building a wider and more efficient social action for overcoming the unfavourable conditions of the members of these families.
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Goran Obradović, Ph.D.
Visiting Professor of the Law Faculty of
the University of Niš, Republic of Serbia

THE STATE AND PERSPECTIVES OF THE
PENSION AND DISABILITY INSURANCE SYSTEM
IN THE REPUBLIC OF SERBIA*1

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Abstract: The paper deals with the current state of the system of pension and disability insurance in the Republic of Serbia and the possible directions of change. The author analyses the causes of an extremely poor status of the pension and disability insurance system, based on current financing and intergenerational solidarity. The disadvantages of this system, in addition to its indisputable advantages, are also pronounced in other countries that apply it. However, in countries such as Serbia, there are factors that further complicate its sustainability, such as poor demographic situation, high unemployment rate, and the like. In this context, the text provides a brief overview of the measures taken to date, with the analysis of their short-term and long-term effects. Finally, the author gives a personal view of the direction of development of the pension and disability insurance system in the Republic of Serbia.

Keywords: pension and disability insurance, ageing, unemployment.

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Introduction

Social insurance is considered the most important pillar of a welfare state as it provides protection of a dominant portion of society against the most adverse social risks. It originated in capitalism with the occurrence of social insecurity of employees and their families at a larger scale.

Since the establishment of the first public pension and disability insurance system in Germany in 1884, there have been problems in its functioning constantly. The wish (and need) to ensure security at an age when one cannot earn for living (due to old age, disability or loss of provider), imposes a constant need for sustainability of such a system (to the largest extent possible). However, it is not always possible. Numerous factors have a negative impact upon a pension and disability insurance system, therefore there is a constant need to change and adapt it to any newly-occurred circumstances.

The reasons for a reform of a pension and disability insurance system are found in non-harmonisations and imbalances within pension systems themselves, which also brings about the imbalance of fiscal and entire financial system. The basic non-harmonisation lies within the number of insured persons and the number of pension beneficiaries ratio (Golubović, 2009; 13). In addition to internal factors, there are also external factors leading to problems related to the functioning of a pension system (e.g. economic factors that, e.g., they cause a high unemployment rate).

The necessity of having changes within a pension and disability insurance system is not characteristic for the Republic of Serbia only. The factors causing it, to a greater or lesser extent, also operate in many other countries, especially in Europe. In priority, there is population ageing that is one of the primary characteristics of the majority of European countries. However, the Central and East European countries, i.e. former socialist countries, had a greater need for a reform of their pension and disability insurance systems due to the transition changes that left a deep mark in this area. The greatest impact of these changes in the area of a pension and
disability insurance system reflected in a significant reduction of rights and tightening of the eligibility requirements for their realisation, all with an aim to make the system more stable. A study of the International Labour Organisation (ILO, 2012; 3-4)\textsuperscript{2} states the following characteristics as the basic characteristic of national pension systems of the Central and East European countries: low and almost fixed pensions, as well as a small difference between minimum and maximum pensions; generous calculation of non-contributing periods when calculating pensions; privileged position of a few groups of workers in regard to the age limit and the calculation of pensions; impaired harmonisation with social welfare systems due to economic challenges that publicly owned companies were faced with in the course of transition; non-existence of a clear limit between public budgets and social welfare system budgets; high contribution rates comparing to the West European states; reduction of contribution levels in the course of time due to a lack of indexation mechanism (ILO, 2012; 3). As a core characteristic, it is also stated that despite adverse difficulties and significant delays and non-payment of salaries, these pension systems managed to meet their obligations related to payment of reimbursements (ILO, 2012; 3). Due to "economic restructuring", a great number of workers lost their jobs, thus early retirement was used to absorb them, which caused a high reduction of contribution payers and, simultaneously, an increase in the number of pensioners in the beginning of the 1990s. Consequently, the dependency rate rapidly increased. On the other hand, population ageing contributed to an increase of dependency rate (the ratio of the beneficiaries of the right to pension and the insured persons) in the system through the increase of the old age dependency rates (the ratio of population aged 65+ to population aged 20-64) (ILO, 2012; 4).

\textsuperscript{2} The study is incomplete as it only includes Hungary, Bulgaria, Croatia, Czech Republic, Poland, Romania, Slovenia and Slovakia. The following countries are not included in the study: Serbia, Macedonia, Bosnia and Herzegovina, Montenegro, and Albania.
1. The (Basic) Causes of the Pension and Disability Insurance System Crisis in the Republic of Serbia*

Population ageing occurs as a consequence of fertility decline\(^3\) and a rise in life expectancy. One of the big paradoxes of contemporary Europe is that birthrate is in a positive correlation with employment rate of women, primarily because mothers find it difficult to harmonise motherhood and career (Esping-Andersen, 2006; 39).

Population ageing is also one of the basic issues in the pension and disability insurance system functioning. Population ageing is caused by prolongation of life span and low natural population growth. Ever increasing human lifespan, *per se*, represents something that is good and speaking about it in a negative context is inappropriate. However, longer lifespan does not keep up with working capability. In other words, the longer the lifespan of pension beneficiaries, the longer the period in which they use pensions; and for which funds must be found. If it is connected (as it usually happens) to an ever decreasing share of a working age population within the entire population, resultantly, there are less and less breadwinners and more and more spenders. Such a situation represents one of the biggest problems in designing a pension and disability insurance system.

In this regard, population ageing had almost been an unknown phenomenon all the way until the 20th century, while it is widely spread all over the world nowadays. Depending on the share of persons aged 65+ in the total population, demographers classify countries into "young", "mature" and "old; whereby the "old" ones are those countries where the share of these persons is 10+ percent (Schulz, 2001; 284).

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\(^3\) Fertility is the number of live births that a woman has had in her reproductive age. In order to have zero natural population growth, i.e. to realise simple population reproduction, fertility rate must be 2.1 (according to some 2.14). On the contrary, there is a negative decline of natural population growth.
2. Change Dynamics - Dynamics of the Reduction of Rights

Some more significant changes in the pension and disability insurance system in the Republic of Serbia began at the end of 2001 with the changes of the then federal Law on the Bases of Pension and Disability Insurance4. The most significant changes referred to a one-off three-year increase of retirement age (up to 63 and 58, for men and women, respectively) and to the change in the manner of harmonisation of pensions by adopting the so-called “Swiss formula”, i.e. with the harmonisation with the middle rate of wage and cost-of-living growth (Golubović, 2009; 41). The one-off three-year increase of retirement age, without any transition period, created problems for all potential pensioners. In literature, it is justifiably pointed out that it should have been born in mind that this was happening in the commencement of the transition period, at the time of first mass lay offs and when it was impossible to find a new job (Savićević, 2011; 92).

Significantly greater changes were made in 2003 with the passing of the Law on Pension and Disability Insurance of the Republic of Serbia5. With its entry into force, the Law on Pension and Disability Insurance of the Republic of Serbia 1996 became invalid.6 Among numerous novelties, we shall point out only the most significant ones herein. Certainly the first one is the change in the manner of calculating pensions by introducing a point system and extending the calculation period to entire working lifetime. In this manner, a tighter connection between the height of a pension and the contributions paid was enabled; however, it proved simultaneously that the majority of insured persons were paid poorer during a greater portion of their working lifetime. Thereupon, pensions calculated according to the new system were averagely lower by 20-25% than the ones calculated according to the old system (Savićević, 2001; 93). The next more significant novelty is related to the introduction of a new definition of disability. Namely, because of a noticeably high share of

4 The Law on Alterations and Amendments to the Law on the Bases of Pension and Disability Insurance, "Official Gazette of the Federal Republic of Yugoslavia", no 70/01.
disability pensions in the total number of pensions even by 30% at the end of 1997\textsuperscript{7}, the definition of disability was changed, in terms of making it stricter. According to the new definition, disability exists when a total loss of working capabilities of insured persons occurs, i.e. when a total loss of capabilities for military service occurs in professional military staff, due to changes in the health state caused by an injury at work, occupational disease, or diseases, which cannot be cured with a treatment or medical rehabilitation. In other words, now disability exclusively implies total and permanent loss of working capabilities. The aim of this change was to cut down, by making the definition stricter, the number of persons who can realise the right to disability pension, considering their high share in the total number of pensions, which was not caused by an actual loss or decline of working capabilities, but a consequence of milder eligibility requirements for the realisation of the right and numerous abuses. The best indicator that something is not right with the realisation of the right to disability pension is its average usage in relation to the average usage of old-age pension. The right to disability pension, by its nature, is exercised by persons whose health state or functionality of their organism has been ruined due to illness or injury. Thereafter, normally, one would expect that these persons enjoy their pension for a shorter time period than persons who have realised the right to old-age pension. However, it is totally different in reality. Thus, in 2008, the average usage of old-age pension was 15 years, whereas the average usage of disability pension was 18 years. This relation was also, mainly, retained in 2012 when the average usage of old-age pension was 17 years and the disability pension amounted even to 19.

In addition to these positive effects of the changed concept of disability, the negative ones should also be pointed out. In priority, such a

\textsuperscript{7} At the end of the same 1977, the share of old-age pensions was 48.2\%, family 21.8\%, whereas the disability pensions accounted for even 30\% of all pensions. By the end of 2003, the old-age pensions accounted for 50.3\% of the total number of pensions, family 22.6\%, whereas the share of disability pensions was slightly reduced to 26.4\%. A more significant improvement of the results in favour of old-age pensions happened at the end of 2013 when the shares of disability, old-age and family pensions were 19.4\%, 59.3\%, and 21.3\%, respectively. Although there was a significant decline in the share of disability pensions in the total number of pensions, it is still very high. (Pension and Disability Insurance (PDI), 2012)
restrictive definition of disability is uncommon in Serbian law; and for the first time, since the Law on Pension Insurance of Workers of 1922, only one form of disability is recognised, i.e. total loss of working capabilities. In literature, it is justifiably pointed out that disability insurance in the pension and disability insurance system was disavowed to a certain extent in this manner, and the state, actually, admitted its impotence to cope with the corruption of disability commissions. This change was the only way to cut down the share of disability pensioners, not considering that it would lead to another extreme (Savićević, 2011; 94). This another extreme is reflected in the fact that now the insured persons with seriously and permanently ruined health state and working capabilities also cannot exercise their right to disability pension frequently as they do not fit in such a strict disability definition.

With the Law of 2003, an extension was also made and it included compulsory insured persons, i.e. persons who perform jobs on the basis of author copyright agreements, service agreements, jobs through youth and students cooperatives, including also jobs through other types of contracts, for which compensation is realised. Also, certain alterations were also made in relation to insured agriculturers. Those members who are pension beneficiaries or students are excluded from agricultural households.

In 2005, old-age pension limit was raised again. The old-age pension limit was raised for men and women, from 63 to 65 and from 58 to 60, respectively. However, this was not a one-off change, but a gradual one (from 2008 to 2011), which certainly is a better solution. In addition to old-age, family pension limit was also raised, as well gradually within the same time span, from 53 to 55 (widower) and from 48 to 50 (widow). A very important, perhaps the most important, alteration in 2005 referred to the change in the manner of harmonising pensions. The so-called, "Swiss formula", i.e. harmonisation of pensions with costs of living and salary growth, was abandoned. In the course of the next four years, a gradual transition was only made onto harmonisation with costs of living; and this in the foregoing six months. The aim of this alteration is obvious.

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By harmonising only with costs of living and not with salaries, smaller funds are needed for their payment.

Voluminous alterations were also made in 2010 and they entered into force on 01 January 2011. In priority, the eligibility requirements for old-age pension limit were increased again, both in regard to age and number of years of pension insurance needed. The minimum age for old-age pension (of insured persons with extended duration of pensionable service), is raised from 53 to 58 years of age, from 2011 to 2022 gradually. Pensionable service for women was raised from 35 to 38, as well gradually, up to 2022. The eligibility requirements for family pension were tightened again, so a widow can acquire it at 53 years of age and a widower with 58 years of age. Old age limit is gradually raised four months per a year, from 2012 to 2016.

In regard to insured agriculturers, it is envisaged that all agriculturers are compulsory insured, not only the head of household or one member, which was appraised as the most brilliant example of the wanderings in the PDI system reforms. Namely, an attempt to eliminate the problems in paying contributions, i.e. in financing compulsory insurance of agriculturers was made in the Law of 2003, and this by having only the head of agricultural household, i.e. minimum one member, compulsory insured. Even with such a solution, the funds collected from contributions of agriculturers barely covered 9% of the funds needed for paying pensions; therefore it remains unclear what effects the legislator bore in mind when introducing compulsory insurance of all agriculturers (Savićević, 2011; 100).

Apart from the abovementioned, in 2010, some alterations were made in the manner of harmonising pensions and some stricter eligibility requirements were introduced for insured persons who perform jobs with extended duration of pensionable service.

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3. The Latest Changes

The last changes in the pension and disability insurance system of the Republic of Serbia were made in July 2014. In priority, there were alterations made in relation to insured agriculturers, so that, repeatedly, only the head of agricultural household and the head of family agricultural economy are compulsory insured, i.e. minimum one member, which additionally speaks of the "wanderings" in agriculturers' insurance.

A particularly important novelty is the introduction of yet another right in the event of old-age right to early old-age pension. Namely, before the latest changes, the right to old-age pension could also have been exercised before reaching the general old-age limit, with no pension reduction, provided the insured person realises the specified pensionable service. It was 40 and 38, for men and women, respectively, and the lower age limit was 58. Now, the insured person acquires the right to early old-age pension when they have 40 years of service and minimum 40 years of age (with a specified transitional period form 2015 to 2023, but it is permanently reduced by 0.34% for each month before turning 65. The reduction can be maximum 20.4% (maximum for a 60 month period, i.e. five years).

Early old-age pension is not a novelty in Serbian pension system as it was introduced in 1964 with the Basic Law on Pension and Disability Insurance that also provided for certain reductions. The introduction of early pensions with reductions was accounted for with the endeavour to comply with the economic principle of equivalence of paid contributions and realised pensions (Golubović, 2014; 213). Regardless of all the advantages that early pension brings along from the standpoint of justice, those who belong to the generation closest to acquiring pension under former eligibility requirements are affected most since they are brought into a more adverse position. Indisputably, earlier retirement enables longer usage of pension including also insured persons who reached full

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10 The Law on Alterations and Amendments to the Law on Pension and Disability Insurance, "Official Gazette of the RS", no. 75/2014.
11 "Official Gazette of the Federal Peoples Republic of Yugoslavia (FPRY)", no. 51/64.
pensionable service; therefore it is necessary to either increase the volume
of paid contributions or to reduce the pension amount, or both, in order to
bring the rights and obligations of every insured person into balance
(Golubović, 2014; 223). On the other hand, a permanent reduction of
pensions is debatable in our opinion. Notwithstanding that early retirement
creates conditions for longer usage of pension, a question related to
pensionable service that is sufficient for (unpunished) usage of old-age
pension is also being posed. In other words: Is it justifiable that payment
of contributions in the course of, e.g., a 40 year period is deemed
insufficient for using old-age pension in full amount of, averagely, 15
years?

Regarding the eligibility requirements for the realisation of the
right to old-age pension, the requirements were tightened, as well as the
equalisation of years for men and women. The equalisation of eligibility
requirements was determined gradually, more precisely in two phases. In
the first phase, lasting until 2020, the eligible years of age for women will
be increased by 6 months per year, starting from 60 years of age. In the
second phase, lasting until and including 2031, the increase will be two
months per year.

A qualitative change was made in regard to extended duration of
pensionable service that, thanks to the inherited state as well as to certain
traditions, became one of the basic issues in the functioning of the pension
and disability insurance system in the Republic of Serbia. A very mild
criteria for acknowledging this pensionable service in the past resulted in a
great number of persons who had exercised the right to this service.
Although many of them did not meet the core eligibility requirements for
acknowledging this service, the legal possibilities resulted in a situation
where the right to old-age pension was also realised by persons who had
performed neither particularly heavy nor dangerous jobs, thus the share of
such beneficiaries equals 13.8 % out of the total number of pension
beneficiaries (PDI, 2012). Thereafter, the eligibility requirements required
for the realisation of the right to old-age pension on the basis of the service
retirement benefit are now tightened. In priority, it is necessary to
accumulate at least 2/3 of the total years of pensionable service at those
working posts. Additionally, this possibility cannot be exercised by persons who work at administrative and technical working posts, but only those who work at posts where work is especially strenuous, dangerous and health hazardous, i.e. at posts where performing professional activities is limited with reaching specified age or physiological functions decline to such an extent, due to the nature and complexity of the job, that any further successful performance is made impossible. An exception is made in regard to professional military staff pursuant to the regulations on the Serbian Army. In other words, they will not be affected by the tightening of eligibility requirements.

Among the remaining changes, we will only present the one referring to the so-called "special insurance span". Until the last alterations to the Law, it used to be acknowledged to a woman who gives birth to the third child only (in the duration of two years). Now, it is also acknowledged to a woman who gives birth to the first child (six months) and to the second child (one year). We believe these alterations represent, although they seem insignificant at first sight, one of the most positive alterations to the Law on Pension and Disability Insurance.

4. Perspectives of Pension and Disability Insurance in the Republic of Serbia

4.1. The State of the Pension and Disability Insurance System in the Republic of Serbia

The pension and disability insurance system in the Republic of Serbia is based on the compulsory state pension insurance and the current financing through contributions, the so-called PAYG system (Pay-As-You-Go). Essentially, in this system, the insured persons are paying contributions out of which pensions for current beneficiaries are being financed, and the insured persons expect that their pensions will be financed from the contributions of future insured persons, once they have finished their working lifetime.
However, due to population ageing (due to the increase in life expectancy and the birth rate fall), average population age is constantly being increased all over the world, especially with the increase in the number of old people (65+), as well as the increase in the number of very old people (85+) in relation to working age population (from 15 to 65). Thereafter, it is also pointed out that developed economies will be richer before they become old, whereas developing countries will become old before they get rich (Holzmann, Hinz, 2005; 25).

The demographic state in the Republic of Serbia is exceptionally adverse. On the basis of the data of the Statistical Office of the Republic of Serbia\textsuperscript{12}, Serbia's population number was 7,199,077 with an average age of 42.2 in 2012. The low total fertility rate (for women between 15 and 49) of only 1.405 gave a natural growth of 34,907 in 2012. Simultaneously, the reproduction rate was 0.70. Although, the average lifespan has been increased comparing to, e.g. 2000 (67.8), 73.9 in 2012, the ratio of up to 14 and over 65 years of age represents an issue of concern. Thus, in 2012, in the entire population of the Republic of Serbia, population of up to 14 years comprised 36%, whereas those of 65+ had a share of 17.45% (RS Statistical Office, 2012). On the other hand, the total number of beneficiaries increased to 1,730,222 and the ratio of the number of beneficiaries and the number of insured persons was practically equalised. Average pension approximately amounts to € 200 (RS Statistical Office, 2012).

The high unemployment rate of 748,549 represents a particularly aggravating circumstance for the pension and disability insurance system in the Republic of Serbia in October 2014 (National Service for Employment, 2014).

4.2. The Challenges of the World Bank Model in Serbia

The crisis that caught pension and disability insurance systems, particularly in Europe, yet also in other countries, resulted in the occurrence of different models to "reform" the existing systems and to exit

\textsuperscript{12} Data excluding the Autonomous Province of Kosovo and Metohija.
the crisis. The most significant of them, with regard to the number of states that (more or less) accepted it, is the model developed by the World Bank. The model was publicised in 1994 in a study called *Averting the old age crisis*, (WB, 1994). Basically, the proposed pension and disability insurance system is based on three "pillars". The first one is comprised of mandatory pension insurance on the basis of intergeneration solidarity; the second one, mandatory pension insurance for old age on the basis of individual capitalised savings; and the third one would be comprised of voluntary pension insurance, also on the basis of individual capitalised savings (WB, 1994; 239-247).

Obviously, there are two mandatory pillars and a voluntary one; whereby one of the mandatory pillars (the second) is fully financed and privately managed. The third pillar is comprised of voluntary private insurance and should provide supplementary income sources in the old age to persons who believe their income from the first two pillars will not be sufficient (Obradović, Sekulić, 2010; 363-365). As claimed by the World Bank, this one is ideal for dealing with personal savings. However, as it is not recommendable to rely only upon a privately managed pillar in the provision of a network of social security, a publicly managed and tax funded first pillar is much needed (Škember, 2002; 722). The model was, at first, accepted by many countries of South and Central Americas, with various modalities. Pension reforms in these countries served as a model to former socialist countries, although the model in these countries was applied with more consistency and uniqueness. The Czech Republic was an exception as it refused to apply this model (Golubović, 2009; 73).

Recognising numerous disadvantages of the three pillar model offered, the World Bank offered a new one in 2005. It is presented in the *Old Age Income Support in the 21st Century* study (Holzmann, Hinz, 2005). The most significant novelties refer to the introduction to the so-called “zero” pillar that should provide social pensions, with an aim to achieve a minimum level of social protection, and, conditionally, the “fourth” pillar (informal intra-family or intergenerational source of financial and non-financial support to the elderly, including the access to healthcare and housing) (Holzman, Hinz, 2005; 36).
The offered "reform" model of pension and disability insurance system became a subject of serious criticism even after the first results and analyses. One of the most severe critics was the International Labour Organisation emphasising, \textit{inter alia}, that the world economic crisis implied the sensitivity of the level of pensions in fully capital financed systems with defined contributions according to volatility of financial markets, as well as the manner in which all workers had to bear consequences (ILO, 2012, 6). The negative experience with this model caused different reactions starting from cutting down contributions for the second pillar (Poland, with 7.3 % to 2.3% from the total contributions for pension and disability insurance), to a repeated nationalisation of the second pillar (Hungary) (ILO, 2012; 9-10).\footnote{More about the disadvantages of this model in: Obradović, Sekulić (2012).} So far, the experiences in the application show that the proposed World Bank pension model is "faulty", not only from the standpoint of social policy, but it does not provide certainty in strengthening economic growth in general (Škember, 2002; 735). Thus, the question arises: Who shall profit from the privatization of the pension systems? Perhaps the best answer was given by a renowned economist and the World Bank former-expert, J. Stiglitz. According to him, privatization of pension system would only be immensely beneficial to those companies that administer pension funds and ensure payments of pension allowances. On the other hand, it would also impose greater risks for workers, as the majority of markets in the majority of countries does not offer bonds that are fully indexed against inflation (Stiglitz; 100).

\textbf{Concluding Considerations}

The state of the pension and disability insurance system in the Republic of Serbia is a consequence of population ageing to a great extent as in many other countries. In addition, the adverse economic situation, which created a high unemployment level, had a great impact; but also there were consequences of wrong solutions from the past. The improvement of the existing state has lasted for many years and, basically, it comes down to the so-called parameter reforms, i.e. a correction of elements of the already existing system. In that sense, the changes made in 2014 were particularly significant. Due to the economic sanctions that
Serbia (within Federal Republic of Yugoslavia) endured for many years, the application of the World Bank model did not happen at the time when it was done in many former socialist countries. This (by all means, happy) circumstance made it possible to observe all the shortcomings of the system on experiences of others and not to commence its application without consideration. The parameter reforms undertaken so far have given certain results, but it is difficult to estimate their efficiency more accurately due to still a very bad economic situation and a constant increase of the number of unemployed persons.

In the coming years, new challenges are certainly awaiting the pension and disability insurance system in Serbia. In priority, short-term and mid-term consideration of the effects of the undertaken measures will be necessary, particularly in regard to the increase of age limit for retirement. The state in the economy and the increase (or decrease) of gross domestic product (GDP), as well as the state of the employment market will certainly affect the further steps to be taken. Depending on the results, we believe that the determination will go from new parameter changes to (eventual) risk taking inherent to the application of any of the World Bank models.
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