

Original scientific work

UDK 364.4:316.343.....

DOI 10.7251/SVR1510011C

# SOCIAL SECURITY AS A CHALLENGE AND A FACTOR OF SOCIAL DEVELOPMENT IN THE REPUBLIC OF SRPSKA

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**Abstract:** Security is a general cultural and ethical value, which is directly correlated with the social development. The need for security is among the basic needs and prevails over justice, freedom and equality in crises and situations without perspectives. Social development in transitional conditions carries numerous challenges and risks that lead to loss of perspective and increased level of insecurity in all areas of personal, family and social life. An organized and systematic response of modern societies to possible risks includes social security systems whose development indicates the level of social development of a country.

In the recent decades, there have been extensive debates in all countries concerning social security. These debates emphasize two approaches. The first approach is about the crisis of social security and it criticizes the crisis: it is too expensive and it is a huge burden for national economies; it increases labor costs; it reduces the competitiveness and endangers freedom. The second approach considers social security as an expression of collective solidarity founded on redistribution of income that achieves great economic profits as it influences in a favorable way the standard and health of the population. It is an instrument of valorization of human resources since it stabilizes the labor force and improves the efficiency of educational system.

The Republic of Srpska – as a developing country in transition – is facing extensive issues in maintaining the existing social security systems. There are difficulties in implementation of reforms and they are moving towards supporting personal responsibility for its own income and social security, provision of greater authorizations for market mechanisms and implementation of programs of structural adjustments, which necessarily include reduction of public expenses. The work provides an overview of biggest issues in the functioning of social security system and effects of implemented reforms, indicating the significance of social security for the development of the Republic of Srpska.

**Key words:** *social security, social security systems, reforms, social development.*

## INTRODUCTION

People feel the need to be secure, safe, protected and stable, free of everyday fears, trembles, disorders; the need to raise their families in ordered and secure conditions and to live in an arranged and safe life preventing

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numerous risks. This is the reason why security has been a dominant value throughout the history, sometimes even before freedom and equality. Security, as a need and value, has been determined differently through the history and, today, it is understood and implemented in practice in a different ways in both private and family life. In the earlier time, the provision of a safe and peaceful life has been more related to men's action towards nature. The development of science and technology increased men's actions towards the social environment and development of life with less fear and uncertainty. Organization of society, reduction and prevention of numerous risks, planning of present and future development have become key motives and interests for the individuals and the society as a whole. Modern states and societies took up the responsibility to prevent and neutralize, through their actions, numerous risks that strike the individuals or specific social groups in order to reduce uncertainty and to ensure full development of their citizens. One of the organized responses of modern societies to various risks includes "social security systems", which represent institutionalized forms of social policy<sup>2</sup>.

Social security is the expression of men's sociability emerging from his need to work, operate and create, through mutual relations and links with other people in order to accomplish his social and generic essence. This was understood in different ways, as a result of historical, political, economic, social, ideological and other conditions, and therefore, has different meanings in different societies. Today, social security is one of the basic human rights and it belongs to every human being as a member of human society whose dignity and free development of personality is being accomplished through economic, social and cultural rights supported by the state and through international cooperation in accordance with the organization and resources of each state<sup>3</sup>.

In its broadest sense, social security is understood as "creation of equal opportunities for individuals to provide for them and their families living conditions that will enable them to meet their basic and extended needs"<sup>4</sup> or as a "state of the society where people feel safe in relation to risks that they may face"<sup>5</sup>. A broader understanding is based on the apprehension of social security as a human right, it is expressed in documents of the United Nations and it includes "the obligation of the society to provide and guarantee to each individual physical integrity and appropriate education, development of conditions for employment and housing as well as legal security in case of loss of certain abilities, particularly the ability to provide independent earnings"<sup>6</sup>. In a narrower sense, "social security is understood as a system that maintains income and meets basic existential needs of the population"<sup>7</sup> or a tendency of the modern social security to grow into social insurance for the entire population of a given country (Milosavljević, 1984). Social security also

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<sup>2</sup> Pejanović, 2008

<sup>3</sup> Universal declaration on Human Rights, 1948

<sup>4</sup> Vidanovic, 2006: 367

<sup>5</sup> Puljiz, Bežovan, Šučur, Zrinščak, 2005: 10

<sup>6</sup> Vidanović, 2006: 367

<sup>7</sup> Puljiz, Bežovan, Šučur, Zrinščak, 2005: 10

includes mechanisms of collective solidarity based on redistribution of income; it achieves human and social goals and it is the carrier of economic wellbeing (Euzeby, 1997).

According to the International Labor Organization criteria, the goal of social security is provision of health care – both curative and preventative, guaranteeing existential means in case of involuntarily loss of income provided through work or significant part of it, i.e. provision of additional income for people with family expenses. The Convention of the 102. International Labor Organization differs among following nine branches of social security: 1. health care, 2. sick leave benefits, 3. unemployment benefits, 4. old age benefits, 5. benefits in case of work injury or professional illness, 6. provisions for families, 7. maternity benefits, 8. disability benefits, 9. benefits to support someone after the death of his/her carrier<sup>8</sup>.

According to Puljiz (2005), regardless of differing understanding in individual countries, there is compliance among European countries in terms of three basic social security elements. These are social insurance, social support and universal benefits. Social insurance is established as mandatory or voluntary, it is based on contributions and enables those who are insured (most commonly the employed people) and their family members to provide benefits in case of occurrence of the defined social risks, which is the source of their social security. The most common risks covered by social security include temporary or permanent reduction or loss of work ability or income, old age, illness, loss of a breadwinner, accident at work and unemployment. Social support is public help provided by the state to citizens who are facing economic difficulties and who do not have any income or have insufficient means to meet their basic life needs based on work and social insurance or other sources. Social support is financed from taxes and it is being allocated based on testing means of an individual or a family. Universal benefits are provided based on the status (citizenship, residence in a specific country or being a part of a specific vulnerable group) and they are financed through public income. Such benefits include old age or national pensions, child allowances, parental allowances, benefits for people with disabilities etc.

A common feature of all programs is the existence of two groups of rights: monetary payments – their goal is to make up for partial or permanent loss of income as a result of risk – and rights on provision of specific services<sup>9</sup>.

The definition of social security should be supplemented by its institutionalization, i.e. development of a social security system whose development is the indicator of social development of a country. Systems are legally grounded in the social legislation and, thus, there is a legal guarantee that social security will be implemented in practice. The institutional structure of a system consist of specific public services or specifically founded agencies or funds with a certain level of independence, though, they are also under the state supervision and control.

Gradual and continuous development of a social state (the state of wellbeing) in the second half of the twentieth century included the extension of

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<sup>8</sup> Euzeby, 1997

<sup>9</sup> Vukovic, 2005

social security in the way as its fundamental and stable feature expressed and confirmed in theory and practice of developed Western countries. The last decades of the twentieth century and the beginning of the twenty-first century are marked with the crisis of the social state and the global economic crisis. There was a range of economic and social issues, which necessarily reflected on social security and maintenance of its basic structures as well as accomplished results in the modern era.

### **SOCIAL CHANGES AND THEIR IMPACT ON SOCIAL SECURITY**

Social security systems of the modern world are exposed to various political, economic and social factors, such as economic crisis, globalization, increased neo-liberalistic pressure, European integrations, technical transformations etc. Key social changes that are part of listed processes and have an enormous impact on social security systems all around the world are changes in the labour field and demographic transformation.

As a result of technological changes, tertiarization and globalization of economy, there is a new structure of work that is reflected in reduced level of employment in productive sectors and increased level of employment in unproductive sectors, which leads to a different distribution of labour. On one side, there is highly educated and well paid labour force while on the other side, there is unqualified and unstable labour force with a low level of education and low level of payment. A direct consequence of such division is inconsistency in distribution of social goods, inconsistency in approach, development and disposal of social and natural goods i.e. increase of social inequalities and poverty. A permanent and secure job has been replaced by atypical and flexible forms of work that include more short-time and temporary work<sup>10</sup>. Unemployment becomes a key social issue in all countries of the world, particularly for young people and socially vulnerable groups. Changes in the work structure destabilize social security systems, because there is less paid full-time work, it is difficult to have a continuous work biography, the ratio of employed and retired people is worsening, pre-retirement is significantly increased, there are more requests for benefits and less realistic sources.

A key feature of demographic transformations and one of the most serious problems that all developed and transitional European countries are facing is the ageing of the population. Factors that lead to ageing of the population include the decrease of the fertility rate (which leads to lower participation of young people in the entire population), extension of expected lifetime (and, thus, increased number of those who are in need of care, i.e. those who are older than 65, which is the usual age for losing work abilities and becoming retired) and increased level of the oldest population (older than 80) that requires high level of health and social care. In developed countries of the European Union the participation of people over the age of 65 is greater than 16% while demographic anticipations indicate the possibility that by 2050 more than 27% of the population in these countries will be over the age of

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<sup>10</sup> Puljiz, Bežovan, Šučur, Zrinščak, 2005

65<sup>11</sup>. In the Republic of Srpska (RS) these demographic processes are highly present as well. In general, the birth rate is continuously decreasing since 2007 while the mortality rate has a continuous growing tendency and, thus, there is a negative natural increase in the last seven years. The age structure is changing for the benefit of a higher participation of old population in the entire population. There are still no new statistical data about it, but earlier trends indicate a process of ageing of the population has begun, particularly in some regions such as Hercegovina and Romanija, which had more than 12% of the older population in 1991 and it is estimated that in 2004 the Republic of Srpska had more than 17.6% of the population older than 65 and even 23.6% older than 60<sup>12</sup>.

Increased percentage of elderly makes a strong pressure on social security systems, particularly to the pension system, health system and social services (long-term social care), which leads to crisis in funds of these systems and shortage of resources.

All above listed factors and social changes have led to strong debates regarding the future of social security. On one side, the need for protection of citizens from various social risks have grown but on the other side, the conditions in which developed social security systems have functioned successfully have changed. Based on these grounds, there were numerous claims that the existing systems have lapsed and that there was an enormous increase in social rights and expenses that cannot be maintained; earning is reduced as a result of reduced number of actively employed population; income is reduced as well as the rate of economic growth<sup>13</sup>. Criticism has been also expressed in relation to the great inefficiency of existing social security systems, such as the health, increased level of inequality as a result of inappropriate approach and quality of services, inappropriate targeting of programs and their overly imposition, which endangered individual freedoms, extensive bureaucracy and regulations, etc. The listed criticisms should be amended with changes that occurred in the public and political philosophy of social security, which are the reflection of changes for understanding of wellbeing that divides poverty on “deserved and undeserved” and that promotes – under the spirit of entrepreneurship – that the rich should be even richer so that those who are poor could become less poor<sup>14</sup>.

Debates about the future of social security have polarized and focused around two approaches. The first approach is the economists' approach that emphasizes a range of factors that question the existing social security systems. These include:

- Social security produces unacceptable side effects for economic aggregates, because it raises the labour costs, narrows investments and, since it is based on salaries, income is reduced as a result of reduced labour force while demands for benefits and payments are increased as a result of unemployment;

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<sup>11</sup> Puljiz, 2005

<sup>12</sup> Republic Statistical Institution, 2010

<sup>13</sup> Rosa, 1982

<sup>14</sup> Gretschnann, 1994: 182

- Social insurance contributions reduce the need for savings, the price of capital is higher, investments are reduced and, thus, the demand for labour force is reduced, which leads to listed consequences for social security;
- Psycho-social dimension of social security relates to the fact that “professionalized and bureaucratic forms of support and help always result in worsening of issues that need to be solved or, in the best case, they result in creation of new problems”<sup>15</sup>;
- Social security has features of an alienating institution as a result of the manner in which funds and benefits are being organized with very little room for development of relations among beneficiaries and service providers, for motivation and social understanding; it is rather being acted in the momentum without much planning and foresights.

It is necessary to add to this the understanding that social security jeopardizes freedom because it forces individuals to insure certain risks without giving them the possibility to choose; it is weakly managed because it is not given over to the market and competition; it is expensive and a huge burden for national economies; it increases the costs of labour force, it is the cause of unemployment; it prevents those who are unemployed to search for a job because it ensures the means needed for their existence; it weakens the saving, etc.<sup>16</sup>.

According to another approach, social security needs to be protected and developed, which arises from the international approach contained in documents of the United Nations, the International Labour Organization and other programs that contain the need to ensure basic social security and development of programs that spread social protection over the entire population according to modalities that have been adapted to the conditions of each country. According to this approach, the competitiveness of companies does not depend solely on the costs of labour force. There is a range of other factors such as qualification of employees, management quality within the company, quality and reputation of products, respecting and reduction of delivery terms, social climate and motivation of employees, etc. The costs of labour force should be considered as a whole and it is necessary to consider the profits from social provisions. Apart from the benefit for beneficiaries, social security has a positive impact on the living standard, contributes to improvement of health of the entire population, prevents the occurrence of infectious diseases, it is an instrument of human resources valorization and a factor of stabilization of work force, it supports spending and activities of companies in times of recession, it reduces the rate of demographic reproduction and favors the success of the educational system. Only a man who knows that he and members of his family are protected in case of specific risks could be motivated for development and creation. All these elements contribute to economic and social development, which binds states to provide coverage for specific social security expenses without leaving it to the free individual initiative. The economic growth is conditioned with social progress and makes sense if it is followed by social development.

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<sup>15</sup> Ibid

<sup>16</sup> Euzeby, 1997

In addition to determination that existing social security systems are incapable to deal with their own internal processes of changes and the need to adapt to changes of the environment, debates also provided new proposals of reforms that differ in terms of scope and depth of intervention. There are four models and each of them focuses on a certain number of factors.

The first model is reduction of costs and privatization and it is aimed at privatization of social risks with the goal to establish private profitable insurance organizations for social security. Representatives of this model emphasize the need to re-establish the self-responsibility of citizens for their social security, which has become undesired in the public social insurance.

The second model is "tax on machines" and it provides a solution for substitution of sources of funds as a result of reduced base line for social insurance contributions. Introduction of taxes on machines would ensure the division of financial burden of demographic and technological changes among those who acquire personal income and those who use capital and technical subventions, i.e. corporative income; relying on capital would reduce the pressure on work and the base line of income for social insurance would be extended.

The third model is "the guaranteed social income" that represents a new type of policy to maintain the income in such a way that rights from paid work would be divided and a comprehensive basis of a new social insurance system would be created. By direct provision in form of social salary fixed in a realistic value, without means testing and the real situation, social security could be provided independently from work.

The fourth model is "solidarity action" and it emphasizes, in the first place, non-material ways for accomplishment of wellbeing, such as psychological, emotional and affective support, education, personal care, etc. This would enable a high level of self-decision and extended freedom of choice in the area of social security.

Developed countries implemented various programs of reforms in specific social security systems by combining different models and by adapting them to specific conditions.

### **SOCIAL SECURITY IN THE REPUBLIC OF SRPSKA**

The Republic of Srpska (RS), as a former socialist state, has inherited social security programs from the socialist period that were well known for their broad social rights that compensated for limited political freedoms and relatively low standard of life. The beginnings of social programs are rooted in the rule of Austro-Hungary at the end of nineteenth and beginning of the twentieth century and the appliance of the Bismarck model of social insurance as well as from the period of the Kingdom of Serbs, Croats and Slovenians. The socialist regime provided secure jobs, reduced income and social differences, introduced free health care for everyone, transformed housing policy into a social category by providing highly subsidized state accommodations, provided privileges for parents through extensive maternity leaves, sick leave to care for the child, subsidized child care and extensive

rights in the pension and health system<sup>17</sup>. Undeveloped social protection has been compensated through full employment and a high level of joint spending.

The downfall of the entire socialist system, civil war and its consequences as well as the establishment of new social relations have led to a range of social changes that resulted in the need for social reforms, particularly in areas of social policy that ensure population's social security. Social security systems (health, pension and disability insurance as well as insurance in case of unemployment) were facing reduced sources of income, a high number of new beneficiaries as a result of changes in the labour market, privatization, increased level of poverty, war victims, inherited awareness on high level of social rights and the obligation of the state to provide these through extensive and inefficient administrative and bureaucratic instruments and procedures. Within the social protection system – that operated in the war and post-war period mainly through humanitarian aid – there was an enormous increase of beneficiaries without income and other forms of social security that live in poverty while limited sources from local administration units were insufficient to meet the most priority needs.

Bosnia and Herzegovina spends, on the basis of social insurance, 12.4% of GDP for social security (which is lower than the average in most of the neighboring countries) and has high contribution rates that are collected from employees and a comparatively low level that is being calculated for employers. In RS, the total rate of contributions is 32.7% and it is paid by the employee in its entirety. This is more or less in opposition to the situation in EU states where contributions made by the employer are much higher than those made by the employee<sup>18</sup>. Existing resources are not sufficient for regular servicing of obligations in any of the social security systems with debts and loans that are being accumulated for years to finance the basic rights of beneficiaries in all systems.

Such situation produced changes and reforms in all social security systems. The process of reform has been followed by lack of clear goals regarding necessary transitional changes such as: to what extent is the social security of the socialist system submissive to transformations; what model of social policy or social regime is desirable and possible to develop; should social security be privatized and if so, to what extent; how to treat the social consequences of transition; and how do they influence the development of all social processes? Analysis of all these factors requires specific space and the work is aimed at the situation that exists in social security systems (systems of social insurance) in RS and how this situation impacts the entire social development. Overview of the situation will be provided by social security systems. Social protection is not included in this work.

### **SITUATION IN THE HEALTH INSURANCE SYSTEM**

The health system in RS is based on principles of social insurance for risk from illness that is financed through contributions for health insurance paid by the employees, public employment office on behalf of those who are

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<sup>17</sup> Zrinščak, 2003

<sup>18</sup> Bartillet, 2013

unemployed, Fund for Pension Insurance on behalf of retired persons, RS budget for beneficiaries in the war and disability field, for refugees and displaced persons' and social protection institutions for beneficiaries of this system. Two groups of rights are being realized in this system – the right to financial payment for the period of temporary inability to work as a result of illness and rights to health care. Table 1 provides an overview on the number of insured persons for the period 2008 – 2013.

*Table no. 1: Insured persons in the health insurance system*

Year	Insured persons			
	Total	Active insured persons	Other insured persons (pensioners, agric. unemployed persons, beneficiaries of war and disability protection, etc.)	Family members of insured persons
2008	963,552	198,675	401,256	363,621
2009	1,025,518	251,831	390,154	383,533
2010	949,369	245,095	345,110	362,164
2011	937,877	219,316	353,222	360,339
2012	928,561	211,814	363,569	353,178
2013	910,958	202,413	372,793	335,752

*Source: Health Insurance Fund of the Republic of Srpska, published in the Statistical Almanac of RS for 2014*

According to the census from 2013, the Republic of Srpska has a population of 1,326,991. From that number 69% are encompassed in mandatory health insurance. The remaining population includes mainly uninsured persons (persons employed in grey economy, self-employed persons who do not pay contributions, farmers, etc.) or those of a smaller number who have insurance provided by other carriers of insurance. The number of insured persons is constantly decreasing in the last five years, particularly of active insured persons while the number of insured, retired and unemployed persons is growing. Other insured categories pay their health insurance on lower rates and, thus, the inflow of funds in the health fund is reduced on merely two grounds - reduction of actively insured persons (employees) and lower payments provided by other insured persons. Average income for each employed insured person is around 175.00 BAM, for each pensioner around 6.00 BAM and for each unemployed person 21.00 BAM. Nobody is bearing the difference in contributions for supported categories. There is also the phenomenon that companies with difficulties in their business operations do not meet their obligations in terms of contributions payments for their employees - even health institutions - which has a negative impact on the efficiency of the system to collect funds from contributions for health care and to meet the obligations.

The contribution rate for health insurance in RS is 12% of personal income that is submissive to payment of income tax. For other categories of insurance bearers, a specific base line is defined, for example for unemployed persons the base line is 20% from the average gross salary in the Republic. Data on income of the health Insurance Fund are provided in table 2 and data on expenses are provided in table 3.

*Table no. 2: Income of the RS Health Insurance Fund in thousands of BAM*

Type of source	2010	2011	2012	2013	2014
TOTAL	483,840	547,728	549,857	529,470	548,717
Insurance of employees	401,539	463,312	460,037	434,842	441,442
Insurance of farmers	1,785	1,675	1,439	1,552	3,624
Insurance of pensioners	28,690	17,834	15,734	7,057	5,439
Foreign insurance	7,403	16,793	26,778	20,447	29,580
RS budget and other bodies (insurance of refugees and displaced persons, beneficiaries of war and disability protection, unemployed, beneficiaries of social protection, contributions, participation)	441,667	427,815	428,174	564,882	68,630

*Source: RS Health Insurance Fund*

Total income of the Fund is decreasing from 2012, including the income from the RS budget intended for insurance of beneficiaries and income from contributions for insurance of pensioners. Participation of these insurance beneficiaries among all insured persons without family members is more than 41% but in total income for 2014 it is only 13%.

*Table no. 3: Expenses of the Health Insurance Fund in thousands of BAM*

Type of expense	2008	2009	2010	2011	2012	2013
Total	510,313	538,610	573,725	615,934	663,838	665,743
Primary health care	145,836	538,610	573,725	171,708	180,967	183,263
Secondary and tertiary health care	250,509	259,138	272,924	295,065	309,136	311,431
Prescription medications	52,783	65,444	77,618	90,198	93,824	90,418
Orthopedic devices and aids	13,338	9,220	8,517	9,374	9,318	9,291
Transport to hospital	1,583	1,522	2,104	1,295	2,640	2,765
Other types of health care	1,714	1,178	1,108	1,919	7,223	3,931
Funds for improvement of work conditions in the health sector, implementation of reforms and accreditations	11,360	3,579	6,814	6,596	10,431	6,854
Payment of salaries for the period of temporary work inability	9,348	11,779	12,526	11,870	12,681	10,232
Costs for implementation of health insurance	18,929	21,136	20,479	22,367	28,404	16,993
Other expenses	4,913	4,849	5,413	5,543	9,214	30,676

*Source: Health Insurance Fund of the Republic of Srpska, published in the RS Statistical Almanac for 2014*

Most of the funds go for financing of secondary and tertiary health care (around 47%) with the tendency of continuous increase of costs and accumulation of losses. The expressed disharmony between income and expenses (tables 2 and 3) indicates that in 2013 the difference between income and expenses was 136 million, i.e. expenses are around 30% higher than income and each year a loss of more than 100 million BAM has been accumulated.

In the past several years the health protection system in RS is undergoing a process of intensive changes. Key issues that have been identified in the field of mandatory health insurance include:

- Unstable sources of funding with a high percentage of disharmony between income and expenses;
- High percentage of uninsured population;
- High percentage of insured persons who are not satisfied with the extent and content of rights from the mandatory health insurance, conditions of medical treatment and availability of health protection;
- Demonstrated dissatisfaction of health institutions as result of lack of financial sources for provision of health services;
- Expressed occurrence that patients have to buy medications, sanitary materials etc. during their hospitalization.

Key changes of this system in relation to the earlier period include the introduction of voluntary health insurance and development of private health sector. Private insurance companies work on voluntary insurance by insuring from various risks. Beneficiaries of mandatory health insurance are able to use health services in 63 consulting and specialist private services, diagnostic and therapeutic services in 27 services and surgical services in four private hospitals because arrangements and use of services have been agreed with them<sup>19</sup>. In addition, the package of rights has been reduced and saving measures exist in form of participation in costs of health protection. Essential changes in the manner of financing of health sector have not been made so far neither are developed strategies to overcome growing and accumulated issues. Social security on the ground of risks from illness is very vulnerable and, in the existing conditions, contributes to negative economic and political trends and general instability of the development of the Republic of Srpska.

## **SITUATION IN THE PENSIONERS AND DISABILITY INSURANCE**

A pension system represents a set of legal norms, administrative and financial arrangements that regulate the most common and most important social risks, including the old age, disability and loss of a carrier. These are the risks that could happen to everyone and the public is, therefore, extremely interested for the functioning of this social insurance<sup>20</sup>. Pensioner and disability insurance in RS function as a unique system based on an extraordinary inter-generational agreement that fills the gaps in income in old age for a high number of people when they are not able to work anymore. In

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<sup>19</sup> RS Health Insurance Fund, 2015

<sup>20</sup> Ibid

addition, this is also a specific type of individual and collective saving that impacts individual and social wellbeing. Vertical and horizontal redistribution of income is being done through it, which contributes to achievement of social justice, removal and alleviation of poverty as well as improvement of social cohesion among societies<sup>21</sup>.

In RS, there is a model of pensioner's insurance linked to the salaries that is the contribution that insured persons pay during their working life. The rate of pensioner and disability insurance is 18.5% on all income for which taxes are being paid. In December, 2014, contributions for pensioner's insurance have been paid by 36,941 carriers of insurance for 280,511 insured persons. In relation to 2013 this is 4,244 more of insured persons in comparison to 2,874 less carriers of insurance. The number of insured persons in relation to number of beneficiaries or the dependence rate is 1.12<sup>22</sup>.

The number of beneficiaries in the pensioner's fund is constantly growing as a result of demographic changes, early retirement, high level of disability pensions and unfavorable employment trends. Table 4 provides an overview of number of pensioners in the last five years.

*Table 4: Beneficiaries in the pension system*

Type of right	2010	2011	2012	2013	2014
TOTAL	226,285	232,756	238,576	244,684	249,279
Beneficiaries of old age pension	109,494	114,982	120,567	126,375	131,328
Beneficiaries of disability pension	40,947	41,407	41,440	41,315	40,781
Beneficiaries of family pension	75,844	76,367	76,194	76,641	76,835
Beneficiaries of other rights			375	353	335

*Source: RS Fund for Pension and Disability Insurance, Statistical Bulletin*

The proportion of beneficiaries of old age pension reached 52.68% of the total number of beneficiaries in the last considered year and the increase trend continuous. The proportion of beneficiaries of family pension is 30.26% with a continuous growing tendency while the number of beneficiaries of disability pension has a trend of slow decrease and the ratio of 17.37% in 2012 has been reduced to 16.36% in 2014. Participation of beneficiaries with 40 years of insured working life in the structure of all beneficiaries is low (8.16) while the average age of beneficiaries of old age pension on the day when they achieved their right is 58.24 years and the average age of beneficiaries of disability pension is 49.82 years. The average independent pension in December 2014 was 337.62 BAM, which is 40.82% of the average salary.

The income in the Pension and Disability Fund in the last five years is given in table 5. The structure of the income of the Fund consists of income from contributions and transfers from the RS budget to support the liquidity of

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<sup>21</sup> Puljiz, 2005: 172

<sup>22</sup> RS Fund for Pension and Disability Insurance, 2005

the Fund. Total income of the Fund participates in GDP with 10.22% and primary income from contributions with 8.36%.

*Table no. 5: Income of the RS Pension and Disability Fund in thousands of BAM*

<b>Income</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
TOTAL	926,414	875,759	895,643	929,808
Contribution based income	732,012	711,759	732,570	736,816
Income from transfer from RS budget	193,000	156,000	156,000	185,000

*Source: RS Pension and Disability Fund, Statistical Bulletin*

In the past three years, the total income of the Fund is permanently growing through both sources. Inflow of funds ensures regular payment of rights to beneficiaries within this system in existing amounts that are the lowest in comparison to amounts of rights in neighboring countries. Payments for pensions in 2013 were 887,009.000 BAM, which is 99% of the total income.

Slow economic development, demographic changes, changes in the area of work and family, privatization, increased level of unemployment, etc. have led to increase of public pension costs and the inability of existing system to fulfill the determined rights. RS was, therefore, as many other countries, forced to work continuously on reforms of the system in order to reduce public pension costs, open new possibilities for pension insurance, develop complementary private, mandatory and voluntary schemes that increase individual responsibility of citizens for social security and reduce the state role in pension insurance. The period 2010 – 2012 was particularly critical in the RS pension insurance system and it was the period when the stability and long-term financial sustainability were jeopardized. The reform of this system has led to new legal solutions that enables, according to their characteristics, further implementation of the parametric reform whose general goal is the improvement of the dependence rate, actuary more distribution while maintaining elements of social features, respecting economic and demographic preconditions, i.e. the reality, stimulation of longer work life and provision of protection of specific categories and basic rights in accordance with European standards<sup>23</sup>.

Key changes that have been implemented in this system in the past years include:

- Increase of effective age limit for retirement from the current 57.0 years for men and 55.3 years for women to 63 years in a gradual manner during the period 2012 – 2018. Further changes will require gradual increase of the limit for fulfillment of old age pension from 65 to 67 or 68 years;
- Selection of everything that has been linked to specific pension time from the pension fund so that part of the system are solely beneficiaries with gained rights through work and derived pensions;
- Change in the manner of indexation according to the “Swiss” model (50% salary, 50% living costs);

<sup>23</sup> Šljivar, Tomaš, 2013

- Introduction of scoring system when calculating pensions and acceptance of economically realistic rate of change of 70% (1.75% x 40 years) for full working period<sup>24</sup>.

Further proposals for improvement of the system relate to destimulation of earlier retirement (reduction of pension for 5% for each year of earlier retirement), increase of number of payers in the pension system according to number of citizens capable for work from the current 33% to 50% until 2050 or 70% until 2080, stimulation to remain in work, improvement of the ratio among employees and pensioners, harmonization of pensions with living costs, introduction of farmers into obligatory insurance, etc.

### **INSURANCE OF UNEMPLOYED**

Insurance of unemployment risks ensures payment of income and provides social security in case of losing a job. In order to make use of benefits from this system, it is necessary to meet the conditions that relate to the cause of unemployment and length of working age, i.e. the payment of contributions. The amounts and length of payment of financial benefits is regulated in national legislation. In RS, the organizational, expert and administrative activities concerning the insurance in case of losing a job are being done by the Employment Office public service while funds are being provided from insurance contributions for unemployment whose rate is 1% on personal income that is submissive to payment of income tax. Rights grounded by this insurance include financial payments, health insurance and pension and disability insurance. The first right is directly in the function to provide funds for livelihood while the other two rights are part of the comprehensive social security system for people who lost their jobs. Minimal conditions for fulfillment of the rights are continuous work during eight months in the last 12 months or with disruptions in the past 18 months. The length of possible use of the benefit depends on the length of insurance and varies from one to twelve months. The amount of benefit is 30% or 40% of the average salary of the insured person for the past three months in accordance with the length of insurance. In addition to rights for unemployed persons, funds from contributions are used to service all activities of unemployment programs. Table 6 provides an overview of beneficiaries and financial insurance sources in case of unemployment.

*Table no. 6: Financial payments for the unemployed*

<b>Year</b>	<b>Number of beneficiaries</b>	<b>Funds in BAM</b>
2012	1,743	14,299,985.00
2013	2,579	17,762,385.00
2014	2,028	14,867,290.00

*Source: RS Employment Office*

The number of beneficiaries in the past five years varies between 1,700 and 2,500. There are no settled tendencies in the number of beneficiaries and the amount of realized sources is directly linked to the number of beneficiaries.

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<sup>24</sup> Ibid

The changes in the insurance system itself went towards more rigorous conditions for fulfillment of benefit rights, the amount has been reduced and the payment period has been limited in accordance with attempts of those who are unemployed to actively search for new jobs. The political change towards those who are unemployed means introduction of active employment measures (supportive measures, help during employment, employment, investments in human resources) while passive measures (benefits, insurances) lose their importance and serve to the policy of active measures. In addition to the public employment service, there is a possibility to establish private employment agencies in order to achieve competitiveness and more efficient employment.

### FINAL CONSIDERATIONS

Radical and comprehensive changes that happened in post-communist countries encompassed also the social security field in such a way that the man's feeling to be secure in his economic and social position has been endangered, to be secure for his family because existing social security mechanisms are in a crisis, being under the load of multiple changes that jeopardize the achieved status and sustainability of these systems. Difficult fiscal and political tempts jeopardize the basic social security structure that developed from the end of the 19<sup>th</sup> century to the 1990's. Current ideas of overcoming crises and the future of social security differ from one country to the other but the main goal is the same in all of them – social security systems must protect citizens from loss of their income in case of risk from illnesses, unemployment, old age, disability and loss of their breadwinner. This is being done through benefits and programs of public support that includes a whole range of different social services.

Developed societies measure their success according to their abilities to protect human dignity, social inclusion and social cohesion and the achieved economic progress is a true success only if it is followed by social progress. Favorable social conditions, possibility to live and work, self-realization, development and progress influence the development of conscience and feeling of security in conditions of sudden changes. This is the reason why the society in RS must find ways for successful transformation of existing social security systems in order to protect its key values, improve their management and make them financially sustainable. Reforms are painful, difficult to implement but inevitable. If developed systems of measures protect living and working conditions, then it is easier to sustain the unfavorable consequences of changes, occasional risks and endanger and a broad circle of people who expect their future with certainty, which needs to be valued in each social development.

### SOCIJALNA SIGURNOST KAO IZAZOV I FAKTOR DRUŠTVENOG RAZVOJA U REPUBLICI SRPSKOJ

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**Apstrakt:** Sigurnost je opšta kulturna i etička vrijednost koja je u direktnoj korelaciji sa društvenim razvojem. Potreba za sigurnošću spada u red osnovnih potreba i u kriznim i besperspektivnim situacijama dominira nad pravdom, slobodom i jednakosti. Društveni razvoj u tranzicijskim uslovima nosi mnoge izazove i rizike koji dovode do gubljenja perspektive i povećane nesigurnosti u svim sferama ličnog, porodičnog i društvenog života. Organizovan i sistemski odgovor savremenih društava na moguće rizike jesu i sistemi socijalne sigurnosti, čija razvijenost je mjerilo socijalnog razvoja zemlje.

Posljednjih decenija, u svim zemljama svijeta, vode se velike rasprave o socijalnoj sigurnosti. U njima se ističu dva pristupa. Prvi pristup govori o krizi socijalne sigurnosti i upućuje kritike na njen račun: suviše je skupa i veliki je teret nacionalnim ekonomijama, povećava troškove radne snage, smanjuje konkurentnost i ugrožava slobode. Drugi pristup socijalnu sigurnost vidi kao izraz kolektivne solidarnosti utemeljene na redistribuciji dohotka, koja ostvaruje velike ekonomske dobitke, jer povoljno utiče na životni standard i zdravlje stanovništva i instrument je valorizacije ljudskih resursa zato što stabilizuje radnu snagu i pospješuje uspješnost obrazovnog sistema.

Republika Srpska, zemlja u razvoju i tranzicijska zemlja, suočena je sa krupnim problemima u održavanju postojećih sistema socijalne sigurnosti. Reforme se teško sprovode i kreću se u pravcu podsticanja lične odgovornosti za sopstvenu dohodovnu i socijalnu sigurnost, davanja većih ovlašćenja tržišnim mehanizmima i sprovođenju programa strukturalne prilagodbe koji obavezno uključuju smanjenje javnih troškova. Rad daje pregled najvećih problema u funkcionisanju sistema socijalne sigurnosti i efekte sprovedenih reformi, ukazujući na značaj socijalne sigurnosti na razvoj društva Republike Srpske.

**Ključne riječi:** *socijalna sigurnost, sistemi socijalne sigurnosti, reforme, društveni razvoj.*

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