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## THE HEALTH, PENSION AND DISABILITY INSURANCE FARMERS IN SERBIA

*The authors talk about the health, pension and social security. These three sub-systems of social security are seen through the current legal framework, which consists of three laws: the Law on Health Insurance, the Law on Compulsory Social Insurance and the Law on Employment and Unemployment Insurance. These laws are observed in terms of the rules that are currently open. This approach is the study of these laws relies on the fact that these laws are applicable regulations in this area. The legislation in force in Serbia, in our opinion, should be subject to change and adjustment with the current legislation in force in the EU. Or should it be changed and improved.*

**Keywords:** health insurance of farmers, farmers' pension insurance, Serbia.

**JEL Classification:** H7, H75, I113

## СИСТЕМ ЗДРАВСТВЕНОГ, ПЕНЗИОНОГ И ИНВАЛИДСКОГ ОСИГУРАЊА ПОЉОПРИВРЕДНИКА У СРБИЈИ<sup>2</sup>

*Аутори у раду говоре о систему здравственог, пензионог и социјалног осигурања. Ова три подсистема социјалног осигурања посматрају се кроз важећи законски оквир која чине три закона: закон о здравственом осигурању, закон о доприносима за обавезно социјално осигурање и закон о запошљавању и осигурању за случај незапослености. Ови закони се посматрају са аспекта правила која су тренутно актуелна. Поменути приступ изучавања ових закона се ослања на чињеницу да ови закони представљају важећу регулативу у овој области. Законска регулатива која је на снази у Србији према нашем мишљењу треба да буде подложна променама и усклађивању са важећом законском регулативом која је на снази у земљама ЕУ. Односно треба је мењати и усавршавасти.*

**Кључне речи:** здравствено осигурање пољопривредника, пензионо осигурање пољопривредника, Србија.

### Introduction

Many former communist countries embarked on reforms of their health and pension insurance. Reform has become particularly acute in times of transition. Since 1997 and in 1998 the reforms are beginning to implement such countries as Hungary, Poland, Macedonia,

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Slovenia, Croatia, Estonia and Romania. Serbia reforms its social security system moves later. Health, pension and disability insurance are the subsystems of social insurance in Serbia are regulated by special laws. Funds for financing law in these areas are provided by contributions and budget. Since 2004 in Serbia is again in a unique manner, the basic institutions of compulsory social insurance. Insured for each of the three types of compulsory social insurance are employees, employers, entrepreneurs and farmers, who are not subject of compulsory unemployment insurance.

Pension and Disability Insurance (PIO) is the primary financial institution of the public pension system in Serbia and funded on the basis of PAYG schemes, primarily through contributions to the working population, and transfers from the state budget.

Adverse demographic trends in Serbia, with high unemployment caused major problems in the implementation of the current model of financing pension insurance. The high deficit PAYG system in Serbia, as well as the risk of devaluation of pension savings in the system of financing based on certain financial contributions requires further consideration of ways of organizing and financing pension insurance.

In connection with this, lots of questions to be answered. In this paper we will discuss the basic issues related to system health, pension and disability insurance.

### **Health insurance for farmers**

By the beginning of the transition in the country was known only to the state social insurance. The main feature of this insurance is primarily in its social functions, and in fairness to reimburse medical expenses, regardless of the different contributions that have paid their employees. Private health insurance in our country called “supplementary voluntary health insurance.” The use of this term is justified by the incompleteness of protection against medical costs, because this insurance does not cover loss of earnings during treatment.<sup>3</sup>

Insured persons in the state health insurance system by way of financing can be divided into two groups: citizens who have income and whose legal obligation to pay contributions and citizens who do not have income or their income is less than the set threshold whose insurance is financed from the budget of the Republic of Serbia.

Group of insured persons who receive income (Article 17 of the Law on Health Insurance)<sup>4</sup> consists of the following people: employees, founders of companies, entrepreneurs, farmers, pensioners, foreigners and others.

According to the same article 17 Paragraph 21 Health Insurance Act emphasizes that farmers over 18 years of age who are engaged in agricultural activity as the sole or principal occupation and not engaged in other activities and not pensioners are entitled to be insured.

Insured - farmers are the persons who, under the law dealing with agriculture (farmers, members of farming and mixed household members) , unless: the insured employee , self-employed , pension beneficiaries and education.

Be sure to secure the head of the agricultural households, and at least one member of the household, while other members of the household can provide under the conditions prescribed by this Law. Table 1 gives the number of insured farmers who are in the health care system.

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<sup>3</sup> Маровић Б., Авдаловић В. (2006): „Осигурање и теорија ризика“, Центар за механизацију и мехатронику, Нови Сад, 121-122.

<sup>4</sup> Закон о здравственом осигурању, Службени гласник РС, бр. 107/05, 109/05 и 57/11.

Table 1 Number of insured farmers in the health care system from 2009 to 2011.

	2009	2011
Compulsory insurance	325.101	317.639
Number of insurance carrier	147.794	154.252
Number of family members	177.307	163.387

Source: <http://www.rzzo.rs/index.php/statistika-rzzo-menu>

The basis of mandatory health insurance is the cadastral income households. The contribution rate is the same as for other categories of beneficiaries. So for mandatory pension and disability insurance are 22% of mandatory health 12.3% and the unemployment insurance 1.5%.<sup>5</sup>

As we noted above in our private health insurance is still in the early stages of development. On the other side of the world are highly developed private medical insurance. The basic private medical insurance include: major medical insurance and standard three groups of medical insurance.

Major medical insurance includes protection against large medical expenses and catastrophic medical expenses.

Standard basic group medical insurance is medical insurance costs, insurance costs of surgery and medical insurance costs.<sup>6</sup>

We wish to emphasize that health care costs are growing rapidly in the last forty years in all countries of the world. Serbia has additional difficulties in financing health care, such as lack of funding sources for severe economic crisis in which we find ourselves several years. In the nineties of the last century there have been needs for voluntary health insurance with the development of private medical practice.<sup>7</sup>

### Pension and disability insurance for farmers

Farmers as a group of insured show serious difficulties when logging into the system and the regular payment of contributions.

As a result, almost all pensioners receiving the minimum pension (which is 24.4% lower than the minimum pension for employed and self-employed Table 2) and 90% of pension expenditures are financed by subsidies from the state budget. Therefore, the existing Farmers Insurance is de facto pension system with costs that do not change, funded by taxes.

Table 2 Agricultural pensions to average earnings and wages in R. Serbia

Year	Average salaries and wages	Average pension	Share% (2/1)
2002	9.208	2.603	28,3
2003	11.500	3.119	27,1
2004	14.108	3.665	26,0

<sup>5</sup> Закон о доприносима за обавезно социјално осигурање, Службени гласник РС, бр. 84/04, 61/05, 62/06 и 5/09, члан 44.

<sup>6</sup> Маровић Б., Авдаловић В. (2004): „Осигурање и управљање ризиком“, Биографица, Суботица, 307.

<sup>7</sup> Јанковић, Д., & Самарцић, С. (2011). Развој добровољног здравственог осигурања у Србији. Тржиште, новац, капитал, 44(1), 27-35.

2005	17.443	4.429	25,4
2006	21.707	5.039	23,2
2007	27.759	5.613	20,2
2008	32.746	7.250	22,1
2009	31.733	8.139	25,6
2010	34.142	8.179	24,0
2011	37.976	9.142	24,1
2012	41.377	9.678	23,4

Source: Фонд ПИО.

There are three specific features that have created the conditions for the functioning of such insurance of farmers. The first is administrative in nature and relates to the technical complications of determining the base for pension contributions of farmers and the difficulty of their collection. In fact, for many farmers the entire income or a part of it is hidden from tax and other government agencies, due to the payment in cash or personal consumption, which makes it difficult or even impossible to establish the actual income that should be loaded pension contribution. This problem has long worn the tax administrations of the countries and addressed him with only partial success. Thus, the taxation of farmers devise a variety of innovative and less innovative techniques that lead to the distinction between taxes on income from agriculture from income from other activities. This problem occurs with pension contributions, and different countries deal with it differently. Some create a separate pension system for farmers.

Another specificity of agriculture is that many retired farmers can continue to work on the farm, although to a lesser extent than in the past, and so to contribute to meeting the needs of their work. Therefore, it is possible to regulate the insurance of farmers in such a way that they pay lower contributions than others and receive lower pensions than others.

The third is that the specificity of agriculture in the economic unit called the farm frequently for a few close relatives, so the question is how to react to that fact lineup pension system: whether it be secured only one member (owner or head of household) or all members? How to calculate their contributions and what should be the ratio of their pensions? Similarly, if the workers employed on the farm to ensure the overall program or the Agricultural Insurance?

Table 3 Number of pension beneficiaries by category of insured  
Situation as on 31 December 2012.

Year	Employees		Self-Employment		Farmers		Total	
	Number of users	Chain index	Number of users a	Chain index	Number of users	Chain index	Number of users	Chain index
1997	1.243.192	103,1	35.970	111,0	181.144	109,3	1.460.306	104,0
1998	1.251.394	100,7	37.448	104,1	184.202	101,7	1.473.044	100,9
1999	1.263.315	101,0	38.462	102,7	196.198	106,5	1.497.975	101,7
2000	1.264.175	100,1	39.337	102,3	207.289	105,7	1.510.801	100,9
2001	1.297.004	102,6	41.207	104,8	213.480	103,0	1.551.691	102,7
2002	1.255.814	101,3	42.905	104,1	212.778	99,7	1.511.497	97,4
2003	1.248.662	99,4	43.472	101,3	213.438	100,3	1.505.572	99,6

2004	1.241.082	99,4	43.938	101,1	221.047	103,6	1.506.067	100,0
2005	1.239.573	99,9	45.225	102,9	224.178	101,4	1.508.976	100,2
2006	1.267.574	102,3	47.181	104,3	229.293	102,3	1.544.048	102,3
2007	1.290.611	101,8	49.872	105,7	229.072	99,9	1.569.555	101,7
2008	1.306.394	101,2	50.959	102,2	222.986	97,3	1.580.339	100,7
2009	1.324.338	101,4	54.450	106,9	224.880	100,8	1.603.668	101,5
2010	1.345.733	101,6	58.368	107,2	222.480	98,9	1.626.581	101,4
2011	1.357.846	100,9	61.851	106,0	218.948	98,4	1.638.645	100,7
2012*	1.420.892	101,1*	66.718	107,9	215.530	98,4	1.703.140	101,0*

\*From 2012.podatak the category of employees includes professional military personnel.

In calculating the index of 2012/2011, with data for year 2011. year included information for professional military personnel received from the Fund for Owl

In Tables 3 and 4 we see that the number of insured farmers is decreasing rapidly - even for more than half if you look in 1999 one for home. This gives a negative image of the farmers' pension insurance: while the number of retirees increases, the point of the insured falls. Has now reached an extremely unfavorable ratio of 1:1 , as the number of retired farmers in late 2010 year was 218.9 thousand, and the insured only 217.7 thousand. With such a ratio, where one insured shall provide a retirement pensioner, the pension fund must be in great financial crisis.

Table 4 Movements of the ratio of the number of pension beneficiaries and the number of categories of insured farmers

Year	Number of pension beneficiaries *	Number of insured**	Relationship
0	1	2	1:2
<b>1999</b>	196.198	481.087	<b>1:2,5</b>
<b>2000</b>	207.289	461.904	<b>1:2,2</b>
<b>2001</b>	213.480	441.705	<b>1:2,1</b>
<b>2002</b>	212.778	419.253	<b>1:2,0</b>
<b>2003</b>	213.438	387.433	<b>1:1,8</b>
<b>2004</b>	221.047	368.207	<b>1:1,7</b>
<b>2005</b>	224.178	353.374	<b>1:1,6</b>
<b>2006</b>	229.293	332.538	<b>1:1,5</b>
<b>2007</b>	229.072	314.925	<b>1:1,4</b>
<b>2008</b>	222.986	233.385	<b>1:1,0</b>
<b>2009</b>	224.880	227.089	<b>1:1,0</b>
<b>2010</b>	222.480	228.242	<b>1:1,0</b>
<b>2011</b>	218.948	217.704	<b>1:1,0</b>
<b>2012</b>	215.530	172.509	<b>1:0,8</b>

\* Number of pension beneficiaries is a condition 31 December.

\*\* Number of contributors to the 2008th the fact is the registry records of the Pension and Disability Insurance farmers, and since 2008. The Fund for Pension and Disability Insurance.

Pension insurance in Serbia is financed by a combination of revenue from mandatory contributions and budget transfers. This is true for farmers' pensions. The role of the other sources is minimized.

Republican budget provides a financial contribution based on two legal grounds. The first is the budget commitment to fund the difference between the amount of the minimum pension set by law and the amount of pension base obtained by applying the general rules of pension calculation. In other words, when a pensioner receiving the minimum pension instead of their lower pensions, the difference is required to cover the budget of the Republic of Serbia. This difference is the standard for agricultural pensions.

Another basis for the participation of the national budget in the financing of pensions of farmers is the general state guarantee for the functioning of the pension system, which reads: "The Republic is the guarantor for the obligations of the Fund to exercise the rights under the mandatory pension and disability insurance (government guarantee)." So, the Republic of Serbia is obliged to cover the shortfall in the funding of the pension system, when its own revenues are not sufficient. This obligation is associated with the right to pursue a policy of the Republic of contributions, even to prescribe lower ones than they would require balanced revenues and expenditures of the pension system, as happened in the last decade. On the other hand, funds shall be used such funds returned no later than the end of the next calendar year. In reality, this provision is not complied with, because of the contribution cannot cover current pension payments.<sup>8</sup>

Funds for financing rights in these areas are provided from contributions. By the end of 1996. The system of compulsory social insurance was regulated by a single law on social insurance contributions. Said Law, is uniquely and uniformly regulate the matter of all the elements contribution and collection techniques. However, of the 01 January in 1997. The provisions on contributions are incorporated into the relevant organic laws, which regulate the rights and obligations of the individual types of social insurance.

The social security system in Serbia consists of three narrow systems or subsystems, as follows: pension and disability insurance, health insurance and temporary unemployment. Each of these systems is governed by separate laws: the Law on Pension and Disability Insurance<sup>9</sup>, Law on Health Insurance<sup>10</sup> and the Law on Employment and Unemployment Insurance.<sup>11</sup>

According to the current Law on Pension and Disability Insurance Act provides for three categories of compulsory insured person. These are employee, persons self-employed and farmers. We are most interested in the category of insured farm. It was under this law:

- Persons who are, by law, considered to be engaged in agriculture (farmers, members of farming and mixed household members), if they are not insured employees, self-employed, pension beneficiaries and education,
- Households, as defined in paragraph 1 This article considers the community of life, earning and spending of income generated by the work of its members, regardless of their relationship,
- Be sure to secure the head of the agricultural households, and at least one member of the household, while the other members of the household may provide, under the conditions stipulated by the Law on Pension and Disability Insurance.

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<sup>8</sup> Игњатовић, С. (2009). Фондови социјалног осигурања у нас. *Економика*, 55(1-2), 126.

<sup>9</sup> Закон о пензијском и инвалидском осигурању, Службени гласник РС, бр. 34/2003, 64/2004, 84/2004, 85/2005, 5/2009, 107/2009 и 101/2010.

<sup>10</sup> Закон о здравственом осигурању, Службени гласник РС, бр. 107/2005.

<sup>11</sup> Закон о запошљавању и осигурању за случај незапослености, Службени гласник РС, бр. 71/2003.

Law on Compulsory Social Insurance<sup>12</sup> the 2004t, in Serbia again in a unique manner, the basic institutions of compulsory social insurance.

Provisions of Article 3 mentioned law, introduced in contributions for pension and disability insurance and to:

- Contribution to the pension and disability insurance
- Contributions to pension insurance is calculated at an accelerated rate,
- Contribution in case of disability and physical impairment from occupational injuries, occupational diseases
- Contributions for health insurance:
- Compulsory health insurance
- Contribution to employment injury and occupational diseases
- Contributions to unemployment insurance in the form of compulsory unemployment insurance.

Article 7 mentioned laws, is regulated to the insured for each of the three types of compulsory social insurance: employees, employers, entrepreneurs and farmers, who are not subject of compulsory unemployment insurance.

Contribution base for all three types is regulated by Article 12 and it is identical for the two most common categories of taxpayers: the employee and his employer.

If a person is employed or employer, the base salary or wages and fringe benefits in accordance with the law governing labor relations, general document and labor contract, and the decision of the competent authority.

For entrepreneurs contribution base is the taxable income or lump sum income on which tax is paid according to the law governing income tax.

For farmers, the basis of contribution income from agricultural activities on which tax is paid in accordance with the laws governing income tax.

The condition of the insurance business in agriculture affects a number of reasons and circumstances. In the first place it determines the position of the agricultural sector in the economic system of the country. We have already pointed out that in recent years the situation in agriculture is constantly getting worse, without being any particular way to conduct long-term agricultural development. In our conditions, the protection of production on farms is low. This attitude stems from the shapes and forms of insurance protection to be applied, and the coverage of arable land and livestock insurance. Insurance in agriculture is determined by its economic situation, in particular the measures undertaken by the state to encourage this important activity.<sup>13</sup>

## Conclusion

In front of the transitional period in the country was known only to the state social insurance. The main characteristic of this type of insurance is reflected in its social function, as well as the fairness of the compensation medical costs, regardless of the different contributions are paid their employees. From the period of transition in parallel introduces a system of private health insurance. This system is called “supplementary voluntary health insurance.” The use of this term is justified by the incompleteness of

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<sup>12</sup> Закон о доприносима за обавезно социјално осигурање, Службени гласник РС, бр. 84/04, 61/05, 62/06 и 5/09.

<sup>13</sup> Милордовић Ј. (2006): „Осигурање“, Факултет за услужни бизнис, Сремска Каменица, 112-113.

protection against medical costs, because this insurance does not cover loss of earnings during treatment. The introduction of private health insurance is a good measure by which the state introduced competition in the health insurance and providing more opportunities for extra security.

For insurance in agriculture affect a number of reasons and circumstances. Primarily determines the position of the agricultural sector in the economic system of the country. Many times in the past we have pointed out that in recent years the situation in agriculture is constantly getting worse, without being any particular way to conduct long-term agricultural development. In our conditions, the protection of production on farms is low. This attitude stems from the shapes and forms of insurance protection to be applied, and the coverage of arable land and livestock insurance. Insurance in agriculture is determined by its economic position, particularly measures that involve the state to encourage this important activity. We are still a big part of the farmers do not insure their production. The reasons for this are numerous. We believe that it is necessary to create favorable conditions for insurance. It is also necessary to introduce farmers to the benefits of this type of insurance.

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