POVERTY IN SERBIA 2014

SOCIAL INCLUSION AND
POVERTY REDUCTION
UNIT

Poverty in Serbia 2014

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INTRODUCTION

The text below will present an assessment and analysis of poverty in Serbia in 2014, as well as an assessment of accompanying inequality. This paper, together with the previous study on poverty in the period 2011-2013[1], ensures the continuity of consumption poverty assessments in Serbia (measured under the absolute poverty concept), which constituted the standard official methodology in Serbia until recently. More specifically, consumption poverty was assessed by the Statistical Office of the Republic of Serbia (SORS) through the *Household Budget Survey* until 2010, when this method was abandoned in favour of the assessment of *risk of income poverty* (according to Eurostat's SILC methodology[2] based on EU indicators).

Seeing that the SORS ceased to analyse absolute consumption poverty, the question arose as to whether this method should be dismissed entirely, shifting solely to the assessment of risk of income poverty. The view that earlier methodology should be retained is prevalent among researchers, as well as many data users, notably in view of the fact that the SORS continues to conduct the Household Budget Survey on a regular basis. The conclusions of a workshop organised by the *Social Inclusion and Poverty Reduction Unit* and the *Statistical Office of the Republic of Serbia* in April 2015, which gathered a group of international experts and domestic practitioners, representatives of the Republic of Serbia institutions and academia, is consistent with this position: "Measuring absolute poverty in the Republic of Serbia is still relevant, considering the stage of development of the country, regional disparities, and the need to inform policy decisions."[3]

The principal argument for continued use of the absolute poverty methodology is the conviction that Serbia is still faced with true, absolute poverty, in which a considerable number of people are not able to satisfy even their basic needs and that the *at-risk of poverty* concept, suitable for developed European countries in which absolute poverty does not exist, is therefore inadequate for assessing the overall poverty issues.[4] Indeed, *at-risk-of-poverty* is not a measure of poverty, but of the risk that an individual might slip into poverty. Thus, Eurostat, the competent EU agency, clearly states that the at-risk-of-poverty rate "does not measure wealth or poverty, but low income in comparison to other residents in that country, which does not necessarily imply a low standard of living."[5]

Accordingly, this paper, as the previous one, follows the absolute poverty concept, according to which all those whose consumption does not exceed the level of the poverty line are regarded as poor. Two alternative and complementary modalities of measuring poverty in Serbia are thus offered, with possible benefits for both public authorities of the Republic of Serbia and interested domestic and international data users.

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[1] B. Mijatović (2014). *Poverty in Serbia 2011, 2012 and 2013,* Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia

[2] See *Serbia: Income and Living Conditions 2013*, SORS, 2014

[3] See http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2015/06/Zakljucci-Merenje-siromastva-u-Srbiji.pdf

[4] See more extensive arguments in G. Matković (2014). *Measuring Poverty – Theoretical Concepts, Status and Recommendations on Serbia,* Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia

[5] http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Glossary:At-risk-of-poverty_rate, accessed on 18 September 2014.

METHODOLOGICAL NOTES

The *Household Budget Survey*, conducted regularly by the Statistical Office of the Republic of Serbia, provides the information basis for the present study on poverty, together with the accompanying methodological apparatus used by the SORS in the past. This ensures the methodological consistency and comparability of findings with the poverty assessments carried out by the Statistical Office of the Republic of Serbia until 2010.

Through its Household Budget Surveys, the Statistical Office of the Republic of Serbia collects data on household income, expenditures and consumption, on certain key population living standard indicators (housing conditions, possession of durable consumer goods) and on demographic, economic and social characteristics of the population. A respondent unit is a household, and a total of 6,071 households (out of the 8,856 planned) were successfully surveyed in 2014.[6]

Equivalence scale (equivalent adults). Given that costs per household member decrease with additional members and that costs are lower for children than for adults, these differences are accounted for by applying an equivalence scale to calculate household costs per equivalent adult. The Household Budget Survey uses the OECD equivalence scale, according to which the consumption of the first adult household member is assigned the weight of 1, the second and each additional adult (aged 14 and over) – 0.7, and each child (under 14) – 0.5. This means that the livelihood costs of the first adult household member are twice as high as those of a child.

Poverty line. As noted above, this study uses the absolute poverty line, as did the Statistical Office of the Republic of Serbia between 2006 and 2010. This line was initially computed in 2006 on the basis of the Household Budget Survey, using nutritional standards and the assessed proportion of non-food items. In 2006, the assessed amount per equivalent adult (the first adult in the household) stood at RSD 6,411 per month.[7] The 2014 poverty line was computed by uprating the abovementioned 2006 poverty line by the retail price index or the consumer price index, as appropriate, and stood at RSD 11,340 per equivalent adult.

Poverty incidence is defined as the ratio of the number of poor members of a population to the size of that population (total population, the unemployed, children etc.); in other words, it shows the proportion of poor members in a given population. As poverty incidence shows only the number of the poor, but not the intensity of their poverty, another measure is used – poverty depth, which shows how far off the poor population's consumption is from the poverty line. It thus measures the financial poverty deficit of the entire population, and also indicates the amount of funds required, assuming perfect targeting of the scheme, to eliminate poverty entirely in a given year. The third measure is poverty severity, which shows the inequality among the poor, i.e. assigns more weight to the poorest.

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[6] More detailed methodological notes are available in: *Household Budget Survey 2012*, SORS, 2013
[7] See G. Krstić and V. Sulla (2007). *Osnovni dokument o trendovima i profilu siromaštva u Srbiji: 2004-2006. godine*, p. 3.

POVERTY ASSESSMENT IN 2014

Key Poverty Indicators

The basic data on poverty in Serbia in 2014 are shown in Table 1:

Table 1.
Poverty in Serbia, 2014

	2014
Poverty line (per equivalent adult), RSD per month	11,340
Poverty incidence, %	8.9
Poverty depth, %	1.7
Poverty severity, %	0.5

Source: Household Budget Survey 2014, SORS

In 2014, the *poverty incidence* in Serbia stood at 8.9%, i.e. the consumption of that percentage of the total population was below the poverty line (RSD 11,340 per month per equivalent adult). The 8.9% figure means that 628 thousand people are considered poor.

The poverty incidence in Serbia increased slightly relative to the preceding year, 2013, from 8.6% to 8.9%, according to the same methodology. The reason for this lies in a 1.8% real gross domestic product decline in 2014, according to the SORS estimate[8], with the negative developments compounded by the floods, which had a severe impact on a part of Serbia. Owing to GDP decline and economic policy, real wages declined by 1.5%[9] and real pensions by 2.3%[10] in 2014, which had a direct impact on population consumption, leading to an increase in the number of the poor.

The decline in real wages and pensions could have resulted in a more perceptible increase in poverty; however, this did not materialise owing to agricultural output growth and relative food price reduction.

The *poverty depth* stood at a moderate 1.7% in 2014, which means that earmarking 1.7% of Serbia's gross domestic product, i.e. RSD 66 billion[11], was needed to reduce poverty in Serbia, assuming perfect targeting (funds awarded to all the poor, and to the poor only). Given that the poverty depth value in 2014 was moderate, poor citizens of Serbia were still, on average, moderately poor, i.e. their individual consumption was, on average, at a fairly small distance from the absolute poverty line.

The *poverty severity* also remained fairly low, at 0.5; hence, poverty severity in Serbia in 2014, as in prior years, can be assessed as quite moderate.

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[8] SORS,
http://webrzs.stat.gov.rs/WebSite/userFiles/file/Nacionalni/BDPserija1995_2014_ESA2010_srpcir_26.05.2015.xls
[9] Monthly Statistical Bulletin, 12/2014, SORS, p. 34.
[10] Monthly Bulletin for December 2013 and 2014, Republic of Serbia Pension and Disability Insurance Fund.
[11] The Serbian GDP reached RSD 3,878 billion in 2014 (SORS).

Sensitivity Analysis

The chosen poverty line is crucial for most indicators used in poverty analysis. Given that its setting is always methodologically complex, and even contentious, the sensitivity of the assessed poverty level to variations in the poverty line was examined. In other words, the respective poverty levels, i.e. poverty incidence values obtained by moderate shifts of the poverty line, were compared. Table 2 shows the results of this comparison:

Table 2.
Poverty line and poverty incidence, 2014

Poverty line variations, basic line = 100	Poverty incidence, 2011, %
80	3.4
90	6.3
95	7.4
100	8.9
105	10.7
110	12.5
120	16.6

Source: Household Budget Survey 2014, SORS; *Living Standards Measurement Study, Serbia 2002–2007*, SORS, 2008

As shown above, the assessed poverty incidence is fairly sensitive to the choice of the poverty line level. If, for instance, the poverty line is raised by 5%, the poverty incidence will increase from 8.9 to 10.7%. This means that a one-percent rise of the poverty line results in an increase of the poverty incidence by 0.3 percentage points. Greater steps also result in greater increases of the poverty incidence: thus, raising the poverty line by 20% results in almost doubling the poverty incidence (from 8.9% to 16.6%).

Compared to the preceding year, poverty "thinned" to a certain extent, i.e. there were fewer people in the assessed zone – between 80% and 120% of the poverty line. More specifically, poverty incidence change was somewhat lower in 2014 compared to the preceding year: thus, raising the poverty line by 20% resulted in an 87% increase of the poverty incidence in 2014, compared to 106% in 2013. This shows that in 2014 there were somewhat fewer Serbian citizens around the poverty line than in the preceding year.

Poverty by Settlement Types

As in other countries, poverty in Serbia was considerably more pronounced in "other" areas (small towns and villages) and considerably less pronounced in urban areas.

Table 3.
Poverty, urban and other areas, 2014

	Number of the poor, thousand	Poverty incidence, %
Serbia	627	8.9
Urban	284	6.7
Other	344	12.2

Source: Household Budget Survey 2014, SORS

As shown in Table 3, in 2014, the poverty incidence reached 6.7% in urban areas and 12.2% in other areas, while the number of the poor amounted to 284 thousand and 344 thousand, respectively.

Again, the poverty incidence in other areas was almost twice as high as in urban areas in 2014 (12.2% versus 6.7%). These disparities between the said areas are common in East and South-East European countries, where the ratio of rural to urban poverty incidence ranges from 1.3:1 to 3:1.[12] Yet, a trend of a slight decrease in the disparity between these two areas may be observed in Serbia: the ratio of the poverty incidence in other areas to that in urban areas dropped from 2.05 in 2012 to 1.91 in 2013, only to drop further to 1.82 in 2014.

Despite having a lower poverty incidence, Serbian urban settlements were afflicted by substantial poverty, and one in fifteen inhabitants was poor in 2014. The causes of urban population's poverty lay primarily in the long-standing stagnation of Serbia's gross domestic product, with some oscillations, i.e. the failure to lift the economy out of the crisis that has plagued it since 2008. Adverse developments in the economic domain were followed by high unemployment of the urban population and a decline in income and consumption.

The considerably higher poverty incidence in "other" areas was a consequence of several reasons with a combined impact: these areas are dominated by an unfavourable structure of the economy, with traditional industries and other activities and prevalent agriculture, which yields lower income per worker to the farming population, with the consequent gap in consumption; the unfavourable qualification structure of the active population, with considerably lower education attainment compared to major cities, also contributes to this; further, the situation of rural areas and small towns is substantially aggravated by negative demographic developments that have led to population ageing, as a result of which many rural households no longer have any young members, fit for work and endowed with entrepreneurial capacities.

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[12] *Dimensions of Urban Poverty in the Europe and Central Asia Region*, World Bank Policy Research Working Paper 3998, 2006, p. 20.

The Geography of Poverty

The territorial distribution of the poor in Serbia and poverty levels by regions, expressed in terms of the poverty incidence, are shown in Table 4:

Table 4.
Poverty by regions in Serbia, 2014

	Number of the poor, thousand	Poverty incidence, %
Serbia	627	8.9
Vojvodina	149	7.8
Belgrade	77	4.7
Central Serbia excluding Belgrade	402	11.4
Šumadija, Western Serbia	154	7.6
South-Eastern Serbia, Eastern Serbia	248	16.4

Source: Household Budget Survey 2014, SORS

In 2014, among the main regions of Serbia (Central Serbia, Vojvodina, Belgrade), Central Serbia (excluding Belgrade) had the highest poverty incidence, at 11.4%, with a total of 408 thousand poor. Vojvodina and Belgrade fared considerably better, with poverty incidence values of 7.8% and 4.7%, respectively, and a total of 149 thousand and 77 thousand poor. If the two sub-regions of Central Serbia are observed separately, the Šumadija and Western Serbia Region had a relatively low poverty incidence of 7.6%, while the Eastern and South-Eastern Serbia Region had a very high poverty incidence value of 16.4%. The relatively favourable position of the Šumadija and Western Serbia region was a result of higher uniformity of consumption compared to other regions, as the Gini coefficient in this region (see below) stood at 0.24, compared to 0.26 in other regions. Such high poverty incidence in the Eastern and South-Eastern Serbia region resulted from its lowest development level: The GDP per capita is below two thirds of the national average[13] and is the lowest of all regions.

In 2014, certain changes occurred relative to the preceding year, 2013: poverty was reduced in Belgrade (from 5.6 to 4.7%) and in the Eastern and South-Eastern Serbia region (from 18 to 16.4%), and increased in Vojvodina (from 5.6 to 7.8%). These dynamics of regional disparities showed that a country with a single social policy might experience diverging tendencies in poverty dynamics, primarily owing to the differences in their socio-economic systems and the influence of different poverty and inequality factors. Data on the regional gross domestic product in 2014 are not currently available and the impact of this important factor cannot be assessed.

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[13] *Regional Gross Domestic Product 2013*, SORS, April 2014

The Profile of the Poor

Following an overview of the overall poverty level in Serbia given in the previous section, this section will present the data on the profile of the poor, i.e. propose to answer the question who are the poor in Serbia, by several demographic, social and economic characteristics. To identify the profile of the poor, it is necessary to presuppose active care for the poor, as it is only on this basis that appropriate social policy instruments can be chosen well and fine-tuned.

The first indicator to be presented is poverty by household size.

Table 5.
Poverty by household type, 2014, %

	Poverty incidence	Breakdown of the poor	Total population breakdown
Single-person	4.4	4.0	8.0
Two-person	6.4	13.4	18.7
Three-person	6.1	12.9	18.7
Four-person	8.0	21.9	24.3
Five-person	10.2	15.5	13.5
Six-person and larger	17.1	32.4	16.9
Serbia	8.9	100	100

Source: Household Budget Survey 2014, SORS

As in previous years, in 2014 the poverty level rose with household size and poverty is particularly pronounced in larger households: while the poverty incidence of single-person households was as low as 4.4%, it grew gradually and reached 17.1% for six-person and larger households. This disparity in poverty was certainly a result of different ratios of employed members with their own income to unemployed/inactive members without income; the ratio was less favourable in larger households owing to either many children or inactive elderly persons without income. As a result of the higher poverty incidence, people living in large households accounted for a high proportion of all poor: while five-member and larger households accounted for only 30.4% of the total population of Serbia, they constituted as many as 47.9% of all poor.

However, the poverty of large households was considerably above the national average, which is only to be expected, but the disparity was not particularly dramatic, as shown by their relatively moderate poverty incidence of 17.1%. The reason for this lies in the fact that in Serbia, multi-member families usually do not include many children; instead, a considerable number of them are multigenerational households in which several members have their own income (work, real property, pension, etc.).

Table 6 below shows poverty levels by population age groups.

Table 6.
Poverty by age, 2014, %

Age	Poverty incidence	Breakdown of the poor	Total population breakdown
Up to 13	12.2	17.4	12.7
14-18	11.5	6.3	4.9
19-24	10.7	8.1	6.7
25-45	8.6	25.5	26.4
46-65	7.9	25.2	28.2
65+	7.4	17.5	21.1
Serbia	8.9	100	100

Source: Household Budget Survey 2014, SORS

As can be observed on the basis of the data above, the Serbian population may be divided into two broad groups by age: the younger, comprising all individuals aged between 0 and 24, with similar poverty incidence values of about 11-12%, and the older, comprising the individuals aged 25 and over, with a poverty incidence of about 8%.

The cause of these inter-generational disparities is the uneven prevalence of individuals with and without their own income: younger population categories, namely children and youth in education, usually do not have their own income and poverty is more pronounced in their families than in families in which members with their own income (work, pension, capital etc.) prevail. Yet, the poverty disparity between these two age categories was not particularly wide, owing to the fact that different generations lived together and shared household income, thus smoothing the consumption of all members. In addition, active adult members' income was higher in households with children than in those without children.[14]

The younger generation (up to the age of 24) accounted for 31.8%, and the older – for 68.2% of all poor. Such low share of the younger generation, which had a higher poverty incidence, was a result of adverse demographic processes in Serbia that brought about population ageing and a decrease in the proportion of youth.

It may be observed that the lowest poverty incidence was recorded by the oldest generation – aged 65 and over. Although predominantly inactive, the oldest population is well protected from poverty by the pension system, and their poverty level was even lower than that of the active generations.

The abovementioned relationship of poverty incidence values for the younger and older population is reflected in the relationship of child and adult poverty (Table 7):

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[14] See Boško Mijatović (2014). *At-risk-of-poverty in Serbia*, in: Serbia: Income and Living Conditions 2013, SORS, p. 11.

Table 7.
Child and adult poverty, 2014, %

	Poverty incidence	Breakdown of the poor	Total population breakdown
Children (0-18)	12.0	23.7	17.5
Adults	8.2	76.3	82.5
Serbia	8.9	100	100

Source: Household Budget Survey 2014, SORS

In 2014, child poverty incidence stood at 12.0% and was perceptibly higher than the adult poverty incidence (8.2%). In line with worldwide developments, this year, as in previous years, children in Serbia were more affected by poverty, i.e. they were at a higher risk of poverty than adults for reasons presented above. Yet, the disparity was not as dramatic as in some other countries, primarily owing to the relatively small average number of children per family in Serbia.

Poverty by sex is shown in Table 8:

Table 8.
Poverty by sex, 2014, %

	Poverty incidence	Breakdown of the poor	Total population breakdown
Males	9.1	49.2	48.2
Females	8.7	50.8	51.8
Serbia	8.9	100	100

Source: Household Budget Survey 2014, SORS

Men's and women's poverty levels were very close and, depending on the year, results showed that in some years the poverty incidence was higher among women, and in other years for men. At the same time, this balance does not guarantee that men' and women's own income levels were equal (although they indeed were)[15]; instead, it was a result of the fact that most women and men lived in shared households and used the total income together, irrespective of who earned it.

Educational attainment certainly constitutes one of the key factors of poverty, seeing that, as a rule, better educated individuals have higher income and higher living standards, as a result of which fewer of them are poor, and vice versa. The effect of the educational attainment of household head on poverty is shown in Table 9:

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[15] See Boško Mijatović (2014). *Inequality in Serbia*, in: Serbia: Income and Living Conditions 2013, SORS, p. 11.

Table 9.
Poverty by educational attainment of household head, 2014, %

	Poverty incidence	Breakdown of the poor	Total population breakdown
Incomplete primary education	20.2	25.6	11.3
Primary education	17.5	35.9	18.2
Secondary education	5.9	36.3	54.2
Non-university higher education	1.6	1.0	5.9
University-level higher education	1.0	1.2	10.4
Serbia	8.9	100	100

Source: Household Budget Survey 2014, SORS

In Serbia, the poverty incidence clearly decreased as the educational attainment of the household head rose: from 20.2% for individuals without complete primary education, to only 1.0% for those with university education. Those with complete or even incomplete primary education prevailed among the poor: they accounted for 61.5% of all poor, although their share in the total population was only 29.5%. Although those with secondary education had a poverty incidence below the national average, their number was, nevertheless, high – they accounted for 36.3% of all poor, which is certainly due to their high total number (as many as 54.2% of the population of Serbia).

This strong relationship between educational attainment and poverty clearly indicates that raising the qualification levels of workers, in particular those lowest-positioned, is a direct and efficient path towards poverty reduction in Serbia. At least as a first step, Serbia should ensure that all children complete primary school, which has been a legal requirement for several decades, but has remained unfulfilled.

Although it is important, the educational attainment of household head is not necessarily the decisive factor in household poverty, as economic activity, i.e. labour market status may be even more important.

Table 10.
Poverty by labour market status of household head, 2014, %

	Poverty incidence	Breakdown of the poor	Total population breakdown
Employed	6.5	36.5	50.3
Unemployed	23.7	24.5	9.2
Inactive	8.6	39.0	40.5
Serbia	8.9	100	100

Source: Household Budget Survey 2014, SORS

From the aspect of household poverty, of the three possibilities – employed, unemployed or inactive household head – the situation where the household head was unemployed was the least advantageous. The average poverty incidence of those households was as high as 23.7%. It could have been even higher if those households had had no other sources of income (the

state, humanitarian aid, relatives and friends, real property etc.) and if some members had not been employed, irrespective of the fact that the household head was unemployed. Incidentally, a quarter of all employed individuals lived in households whose heads were unemployed.

Households with an employed head had the lowest poverty incidence, at 6.5% However, considering that as many as 36.5% of the poor lived in households in which at least one member (the head), it becomes evident that even employment could not guarantee freedom from poverty in Serbia. A reason for this may be found in the fact that many employed individuals, in particular the self-employed, worked part-time or even irregularly and in the grey economy, and therefore earned modest income. Among the employed, the self-employed had a higher poverty incidence (10.1%) compared to those in dependent employment (4.4%), which is indicative of low productivity and modest earnings of self-employed individuals. Such position of the employed differs from the trends observed in many European countries, where poverty is concentrated in households without employed members, i.e. those consisting entirely of the inactive or unemployed, while the employed are protected from poverty by their regular and sufficient earnings.

Households with inactive heads had a considerably lower poverty incidence (8.6%)[16] than those with unemployed heads; this corresponded to the national average of 8.9%. It is indubitable that the relatively advantageous situation of these households can be attributed in particular to Serbia's pension system. Thus, among households with inactive heads, those whose heads were pensioners had a considerably lower poverty incidence (8.1%) than those with other inactive heads (17.0%).

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In 2014, poverty remained at a level approximately equal to that of the preceding year – 8.9% versus 8.6%. According to preliminary data, the gross domestic product declined, partly owing to floods. According to the Household Budget Survey, the number of the poor in Serbia totalled 627 thousand, and – as usual – poverty was the highest for members of large households, the unemployed, inactive (excluding pensioners) and unskilled, and the population of Eastern and South-Eastern Serbia. Inequality remained unchanged in 2014 compared to 2013.

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[16] Households with inactive heads of working age (18–65) were equally vulnerable: their poverty incidence stood at 8.9%.

INEQUALITY

Among the different measures of inequality[17], the authors of this study opted for the two most popular, most straightforward and clearest indicators: the Gini coefficient of consumption inequality and the consumption quintile share ratio (ratio of the consumption of the richest quintile to that of the poorest quintile - top and bottom 20% of the population). Again, the Household Budget Survey 2014 served as the data source.

The Gini coefficient takes values from 0 to 1, where 0 indicates complete consumption equality of all individuals, and 1 indicates the concentration of all consumption in one individual, while others consume nothing.

Table 11.
Gini coefficient in Serbia, 2011-2014

	Gini coefficient			
	2011	**2012**	**2013**	**2014**
Serbia	0.25	0.26	0.26	0.26
Urban	0.25	0.25	0.26	0.26
Other	0.25	0.26	0.26	0.26
Vojvodina	0.25	0.27	0.25	0.26
Belgrade	0.24	0.25	0.27	0.26
Šumadija, Western Serbia	0.23	0.22	0.24	0.24
South-Eastern Serbia, Eastern Serbia	0.24	0.26	0.26	0.26

Source: Household Budget Survey 2011, 2012 and 2013, SORS

The table above shows that, in recent years, the Gini coefficient ranged from 0.25 to 0.26, which is a fairly low value, indicating that consumption inequality was quite moderate in Serbia.

The two categories from the table above – urban and other population – had similar Gini coefficient values, which corresponded to the national average; the same applied to the four regions, with values close to the average. The Šumadija and Western Serbia Region recorded a somewhat higher uniformity of consumption compared to others, as a result of which its poverty level was somewhat lower than would be expected considering its development level.

In comparative terms, consumption inequality in some countries in the East and South-East Europe region was similar to that in Serbia, while in others it was higher. Almost all developing countries were characterised by considerably higher inequality than Serbia.[18]

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[17] For more details, see Boško Mijatović: *Ibid*.
[18] For more details, see B. Mijatović (2014). *Poverty in Serbia 2011, 2012 and 2013,* Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia, section "(In)equalities in Serbia".

The S80/S20 ratio shows only the relationship of the richest and poorest quintiles (20% of the population) in society, thus neglecting the middle 60% as unimportant; however, in the Gini coefficient and similar measures, they may have a decisive impact on the end result.

Table 12.
S80/S20 ratio in Serbia, 2011-2014

	2011	**2012**	**2013**	**2014**
80/20	3.6	3.8	3.9	3.9

Source: Household Budget Survey 2011, 2012, 2013 and 2014, SORS

The table above indicates that the consumption of the top 20% was about 3.8-3.9 times higher than that of the bottom 20% by consumption. Again, Šumadija and Western Serbia diverged to a certain extent, with the ratio of 3.7.

The regional S80/S20 ratio values have also been calculated:

Table 13.
S80/S20 ratio by regions, 2014

	S80/S20 ratio
Serbia	3.9
Urban	3.9
Other	3.8
Vojvodina	3.8
Belgrade	4.0
Šumadija, Western Serbia	3.7
South-Eastern Serbia, Eastern Serbia	3.8

Source: Household Budget Survey 2014, SORS

The disparities in inequality among regions and types of areas (urban, other) are very narrow; hence, geographic location does not constitute a driver of inequality in Serbia.

The fairly low values of both the Gini coefficient and the S80/S20 ratio indicate that consumption inequality is not particularly pronounced in Serbia, i.e. that it is moderate by international standards.

A comparison of consumption inequality and income inequality in Serbia is interesting: income inequality was considerably higher than consumption inequality. The income-based Gini coefficient stood at 0.38, and the S80/S20 ratio – at 8.8; hence, Serbia recorded the highest income inequality of all countries in which the SILC is conducted (32 countries).[19] The Gini coefficient is commonly higher when inequality measurement is based on income rather than consumption. In Serbia, this difference was highly pronounced. Such relationship is certainly under the influence of multiple factors – solidarity on the part of extended family and friends, in-kind income (production of food and beverages by the household for its own use) and regional

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[19] See Boško Mijatović (2014). *Inequality in Serbia*, in: Serbia: Income and Living Conditions 2013, SORS

price disparities disregarded by the SILC; nevertheless, it would be interesting to gain a deeper insight into the reasons for this.

POVERTY IN THE PERIOD 2008-2014

The development of poverty in Serbia in the period 2008-2014 is shown in Table 14. The observed period commences with 2008 because, from that point onwards, the Household Budget Survey has been carried out on the basis of the identical questionnaire and according to the identical methodological procedure, thus facilitating the comparability of results.

Table 14.
Poverty in Serbia, 2008-2014

	2008	2009	2010	2011	2012	2013	2014
Poverty line per equivalent adult, RSD per month	7,401	8,022	8,544	9,483	10,223	11,020	11,340
Poverty incidence (percentage of the poor)	6.1	6.9	9.2	6.8	8.8	8.6	8.9
Number of the poor, thousand	470	525	686	499	642	610	627

Source: Poverty in the Republic of Serbia 2008-2010, LP20, April 29, 2011, SORS; Household Budget Survey 2011, 2012, 2013 and 2014, SORS

Serbia's relatively fast economic growth between 2000 and 2008 resulted in poverty reduction, with the poverty incidence decreasing to 6.1% in 2008. However, already in 2008, with the onset of the economic crisis, the population's living standard deteriorated gradually. This process was accompanied by an increase in the poverty incidence in the following years – to 6.9% in 2009 and further to 9.2% in 2010. The country experienced a brief reversal of this trend in 2011, when the poverty incidence decreased to 6.8%, only to increase to 8.8% in 2012 owing to a major underperformance of that year's harvest. In 2013 and 2014, poverty levels remained unchanged. The number of the poor ranged between 470 thousand and 686 thousand during these years. In global terms, the most recent economic crisis brought about an observable, but not high increase in poverty in Serbia.

However, an adverse aspect is that Serbia still fails to overcome the several years' economic stagnation and achieve a reduction in poverty on that basis. Moreover, as a result of a probable slowdown in individual consumption in the foreseeable future (partly attributable to pension and public sector wage cuts), a certain poverty increase may be expected even in the case of moderate economic growth – for a long time, Serbia encouraged individual consumption and lived beyond its means, which resulted in an increase in external debt. In order for Serbia to avoid the risk faced by Greece, the direction should be changed and individual consumption growth beyond the country' realistic economic capacities should be restrained.

An important factor of the relatively moderate poverty in Serbia is the uniformity of the population's consumption: as shown above, the Gini coefficient, which measures inequality, is very low (0.25 to 0.26). For an existing gross domestic product level and an existing poverty line, inequality is lower if poverty is lower.

Table 15 shows the socio-economic and demographic categories with the highest poverty incidence in the observed period, i.e. at the highest risk of poverty:

Table 15.
Poverty incidence of the most vulnerable groups, 2008-2014, %

	2008	2009	2010	2011	2012	2013	2014
Non-urban areas	7.5	9.6	13.6	9.4	12.3	12.8	12.2
Eastern/South-Eastern Serbia	...	...	...	11.7	17.7	18.0	16.4
Unemployed, household head	...	...	...	17.1	21.0	20.4	23.7
Incomplete primary education, household head	9.0	14.8	14.2	16.5	19.5	21.9	20.2
Primary education, household head	10.5	9.2	12.7	11.1	15.0	15.1	17.5
Six-member and larger family	10.0	14.2	16.4	13.5	14.3	16.9	17.1
Children 0-18	7.1	9.3	12.2	9.8	12.3	11.4	12.0

Source: Poverty in the Republic of Serbia 2008-2010, LP20, April 29, 2011, SORS; Household Budget Survey 2011, 2012, 2013 and 2014, SORS

The data presented above indicate that the key poverty risk factors are:
- labour market status of the household head (unemployed),
- educational attainment of the household head (incomplete or complete primary education),
- household size (six-person and larger households),
- geographic location (Eastern and South-Eastern Serbia, non-urban area), and
- being a child.

Specific focus on these population groups is needed in designing social policy programmes.