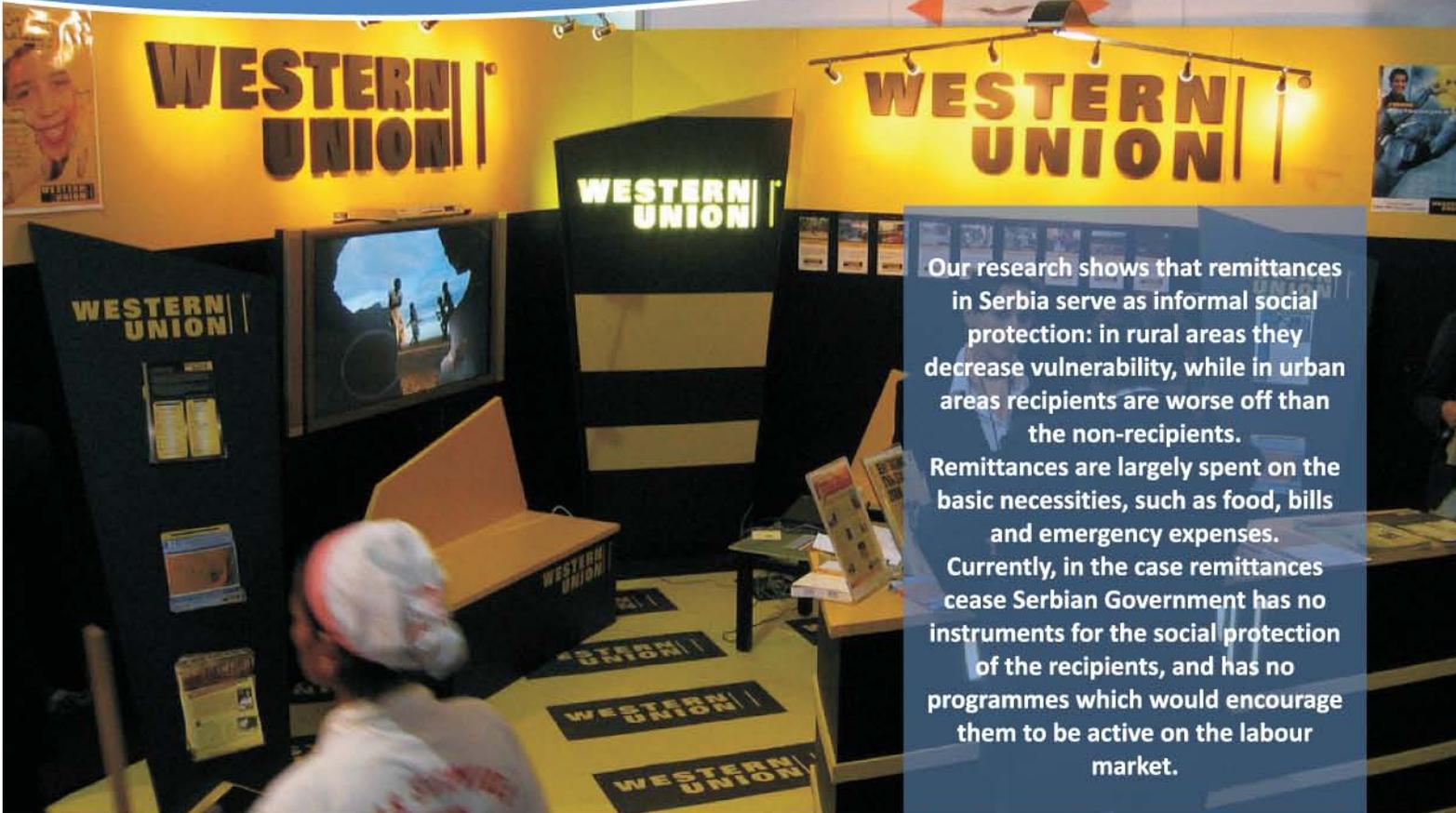




Money from abroad protects households in Serbia from deeper vulnerability



Our research shows that remittances in Serbia serve as informal social protection: in rural areas they decrease vulnerability, while in urban areas recipients are worse off than the non-recipients. Remittances are largely spent on the basic necessities, such as food, bills and emergency expenses. Currently, in the case remittances cease Serbian Government has no instruments for the social protection of the recipients, and has no programmes which would encourage them to be active on the labour market.

POLICY BRIEF

This document provides policymakers with a better understanding of the position of the remittance-receiving households in Serbia and offers possibilities for improving their position, by considering policy options during the time of their receipt, so that households would not be severely hit in case of their reduction or cease.

Serbian Government should consider strategies for

- 1) introducing policy instruments for the social protection of the recipients in the case their remittances cease and
- 2) motivating of the recipients to activate on the labour market, by engaging in employment programmes, as well by involving in self-employment schemes.

Serbia receives 9% of GDP through remittances, but we know little about how they are spent

According to World Bank data, between 2007 and 2014, Serbia annually received USD 4 billion from remittances, amounting to almost 9% of the GDP, which is significantly higher than the share of the foreign direct investments (FDIs) of about 6.7%. Additionally, while FDIs significantly fluctuated over the years, the inflow of remittances has remained mostly stable.

Although remittances are a frequent topic in the media, their importance for the households which receive them is not often discussed, nor is the purpose for which they are most frequently used.

Hence, the objective of our research was to investigate how remittances affect vulnerability in Serbia and to explore the topic of their spending.

The research is based on:

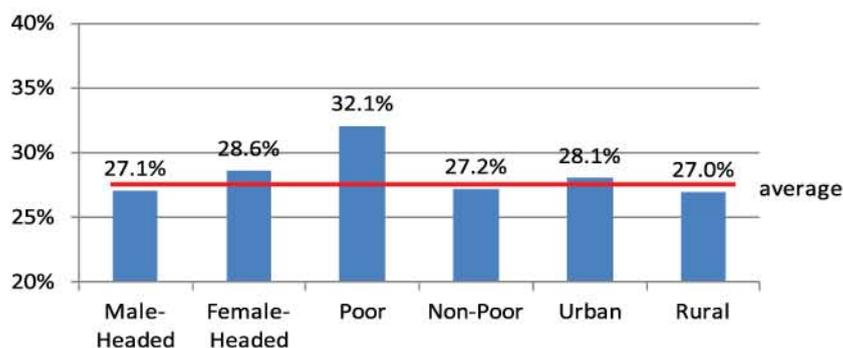
- ◆ quantitative analysis of the SILC - Survey on Income and Living Standards data (nationally and regionally representative data from 2013)
- ◆ qualitative analysis of 16 in-depth interviews with the vulnerable remittance-receiving households conducted in 2015.

Remittances, on average, make one third of the income of the households

Quantitative analysis of the SILC data shows that in the recipient households, the remittances make on average 27.7% of the total household disposable income, with the share slightly higher for the poor – 32.1% (Figure 1).

Remittance-receiving households, compared to those that cannot count on this source of income, are less frequently male-headed (60.9 vs. 68.6%), indicating a higher likelihood

Figure 1: Share of remittances in household disposable income



Source: Own calculation based on the SILC data.

for men to work abroad. Concerning other characteristics, these households do not differ from the general population.

Both rural and urban households would be in a very difficult position if they were not receiving remittances

The analysis of the SILC data indicates that, if not receiving remittances, Serbian households would be in a very difficult position. The analysis also indicates different patterns of remittance - vulnerability interconnection in urban and rural areas.

For rural households, receiving remittances decreases their vulnerability, so they are less vulnerable than those who do not receive them with respects to: poverty, housing, clothing, nourishment and leisure. However, they are worse off when it comes to health (Figure 2, right).

On the other hand, in urban areas, receiving households are more vulnerable than the non-receiving households (Figure 2, left). Therefore, urban households which receive remittances would be in an even more difficult position without them.

Receiving households in urban areas are more vulnerable with respect to: nourishment, clothing and housing, and more often belong to vulnerable family type (single or/and unemployed parents). Our research additionally indicates that in urban areas there are two types of migrants:

- ◆ first group consists of those that lived (before migration) in the less vulnerable households, but do not send remittances, probably since their families are not vulnerable;
- ◆ second group, which sends remittances, since their families are more vulnerable and in a greater need for assistance from them.

Money from the remittances is spent on the basic needs

The receiving households we interviewed most frequently state that they spend the most of the remittances on the basic needs – food, clothes and bills, or on medical expenses in rural areas. They agree, almost unanimously, that their situation would significantly worsen if the payments from abroad stopped.

“I have to pay the bills. I spend half of it [remittances] on the electricity, telephone and water bills, the utilities. Then I have to buy some clothes and shoes for all of us.” [Woman, 38]

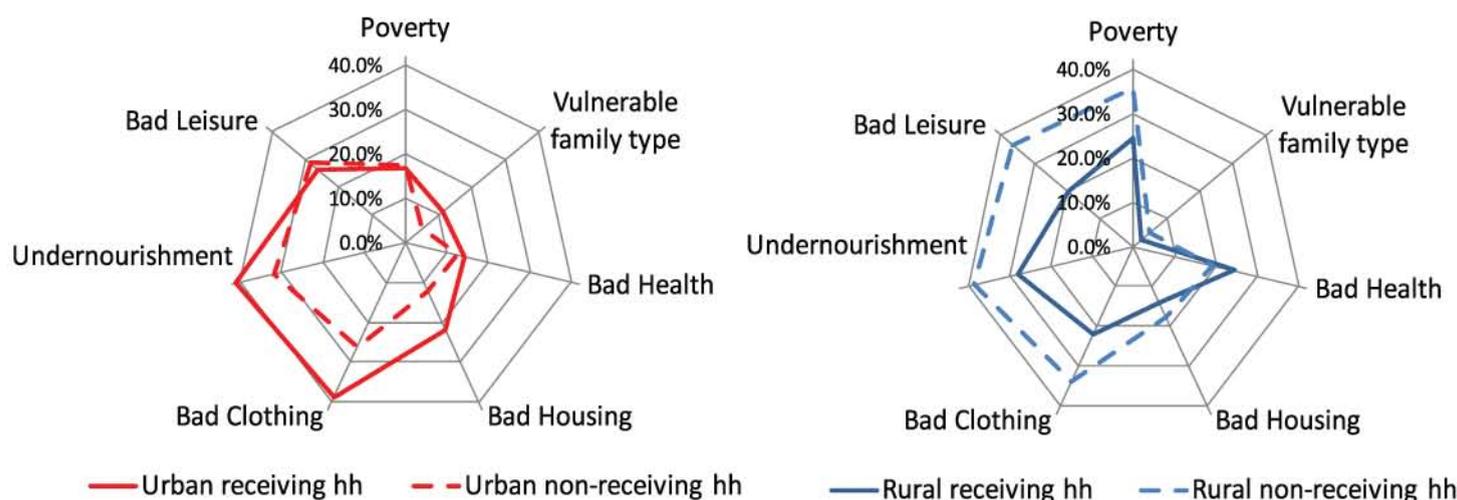
“Old people in the cities have all the medication they need. We don't have that here. The dispensary is three kilometres away.” [Woman, 84]

The households also receive payments from abroad in cases of emergency or irregular events (floods, funerals, loss of jobs, etc).

Additionally, few respondents indicate that they invest a part of the remittances to apartment arrangement or renovation.

Together, results from qualitative and qualitative study show that both urban and rural households would be in a difficult position without remittances.

Figure 2: Facets of vulnerability of remittance-receiving and non-receiving households in urban (left) and rural areas (right)



Note: The higher value on the graph indicates a higher level of vulnerability and worse position. Source: Own calculation based on the SILC data.



Policy implications

Remittances in Serbia play a large social role for the receiving households, softening the incidence of their poverty and vulnerability. Their sudden cease may have detrimental and long-lasting negative effects on recipients and their families.

Currently there are no policies in Serbia dealing with the position of the remittance recipients. Our research shows that if payments from abroad were to cease, the recipients would be in a very difficult position. The social protection of these households would then become the responsibility of the social assistance programs, as additional earning capacities of the receiving households are generally low.

The current remittance receipts could be used to forestall this scenario, so the Serbian government should consider introducing the following policy measures:

1) The government – Ministry of Labour, Employment, Veteran and Social Affairs should consider framing remittances into a well-designed social protection policy, which would provide a shield to receiving households in case payments from abroad reduce or stop flowing in.

- The policy should take the form of the social insurance scheme, similar to what currently exists for the unemployed. Contributions for that insurance would be paid from the received money (as a percentage of the total amount).

- The insurance would ensure that if the receipt of the remittances stops, the insured households are eligible for assistance for a certain period of time, depending on the period contributions are paid.
- The policy should not be mandatory, but voluntary, as the remittances are an important part of the household budget. The recipients should be encouraged to participate, through programs that explain the need for this type of insurance.

2) The National employment service and centers for social work should work with able-bodied inactive people from receiving households in order to make them more active on the labour market. This would help them develop working skills, so they would be more ready for work and have alternative coping strategies in case remittances cease. Their higher activation could be achieved through:

- a) Increasing the inclusion of inactive people from receiving households in existing employment programs, by identifying them as priority group. Their higher inclusion would help them develop working skills, enable them to earn wages and to slowly activate on the labor market.
- b) Introducing a novel employment program, which would include subsidies for employment of the recipients. The subsidies would be partially financed from remittances and could therefore,

be higher than the subsidies NES regularly uses.

- c) Organizing a government program to support self-employment of the recipients. The program would include grants/loans from the Government for starting micro-enterprises, involving both remittances and the government funds, as well as a reduction of social contributions and taxes for those who decide to start a business in this way.

Additionally, there are very limited sources of information on migration and remittances in Serbia. Currently, there are no surveys dealing with this topic in detail.

- ◆ The Statistical Office of the Republic of Serbia should organize a more detailed, regular survey on migration and remittances, which would investigate the history of migration and remittance receipts, characteristics of the migrants, reasons for migrations, composition of the migrants' families, and the way the remittances are spent.
- ◆ Migration and spending of the remittances and their impact on the labour market status should be further investigated to enable more detailed recommendations and policy advice.

Measuring poverty and vulnerability

In 2014, Serbia had one of the highest at-the-risk-of-poverty rates in Europe, at 25.4%. In this research, in addition to poverty, we analyze households' vulnerability. We create a new index of vulnerability composed of seven facets: subjective poverty, vulnerable family (unemployed and/or single parents), bad health, bad housing, bad clothing, under-nourishment and bad leisure. The total Index of vulnerability is defined as a sum of the scores on the facets, i.e. represents the 'number of vulnerabilities' that the household has.

Table 1: Index of vulnerability: Average score and share of the households fulfilling the vulnerability criteria, by facets.

	All households
Index of vulnerability (Average)	1.540
Poverty	33.4%
Unemployed or Single Parents	5.0%
Bad Health	15.2%
Bad Housing	14.5%
Bad Clothing	29.2%
Undernourishment	34.5%
Bad Leisure	31.4%

The distribution of the index for Serbia suggests that about one third of the households in Serbia have so-called zero vulnerability, i.e. they are not vulnerable in any of the above mentioned facets. Households with an index 3 or higher, can be considered very vulnerable. They make up 28% of all households, which roughly corresponds to the at-the-risk-of-poverty rate in Serbia

Table 2: Index of vulnerability: Distribution of the scores

Index of vulnerability		Percent
0	Low vulnerability  High vulnerability	36.6
1		20.9
2		14.0
3		10.9
4		9.1
5		6.1
6		2.5
7	0.0	

The RRPP promotes social science research in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia). Social science research aids in the understanding of the specific reform needs of countries in the region and in identifying the long-term implications of policy choices. Researchers receive support through research grants, methodological and thematic trainings as well as opportunities for regional and international networking and mentoring. The RRPP is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). The programme is fully funded by the Swiss Agency for Development and Cooperation (SDC), Federal Department of Foreign Affairs. The views expressed in this policy brief are those of the authors and do not necessarily represent opinions of the SDC and the University of Fribourg.



This policy brief is a result of the project "Migration as social protection: Analysis of Macedonian, Albanian and Serbian remittance-receiving households".

The objective of the project is to investigate if remittances sent to these three countries serve as informal social protection for the household members left behind, and to advise policymakers on framing remittances into the social security system.

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Swiss Agency for Development
and Cooperation SDC

Project partners



Foundation for the Advancement of Economics

Kamenička 6, Belgrade, Serbia
e-mail: office@fren.org.rs
web: www.fren.org.rs
telephone: +381 11 3021069