

Inequality in the Western Balkans and former Yugoslavia

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International Inequalities Institute project: Specific research questions

*Together with Gorana Krstic, Jelena Zarkovic Rakis
and Nermin Oruc – research questions:*

1. What is the extent of income inequality in four Yugoslav successor states, and how much has it changed over the last three decades?
2. What factors determine the level of labour income inequality?
3. What has been the role of different welfare policies in determining the pattern of earnings inequalities?

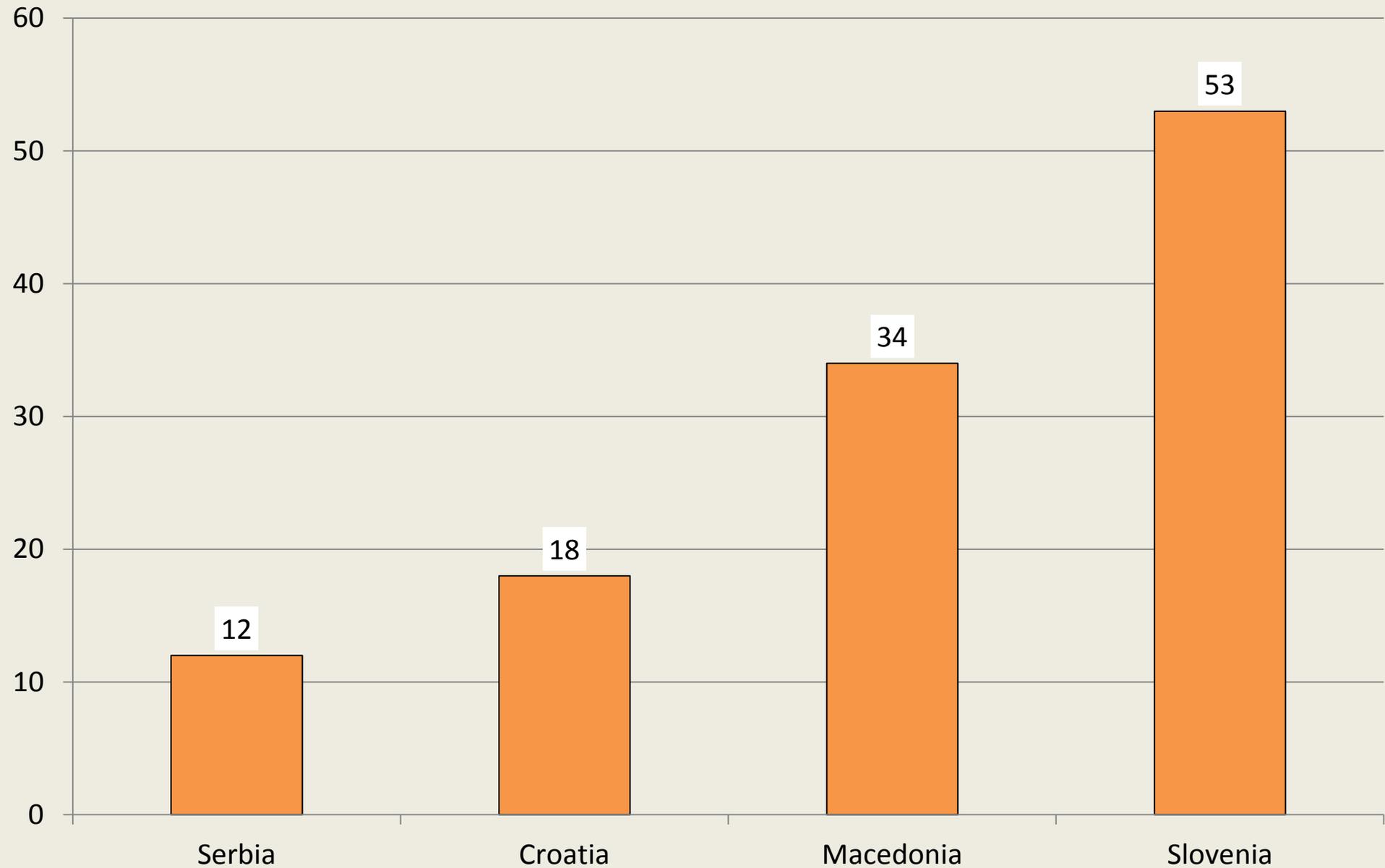
Welfare system before breakup

- Yugoslav market socialism aimed to reconcile efficiency and equity through “self-management” (workplace democracy) and social ownership
- Adopted an inclusive welfare system based upon mixed principles of contribution and solidarity
 - combining Bismarckian and Universal systems
 - major benefits provided on contributory basis (pensions, health care, unemployment and maternity benefits)
 - Non-contributory cash benefits (social assistance, child allowance, war veterans’ benefits)
- All this led to low levels of inequality
 - In 1968, standardised household income Gini = 0.24

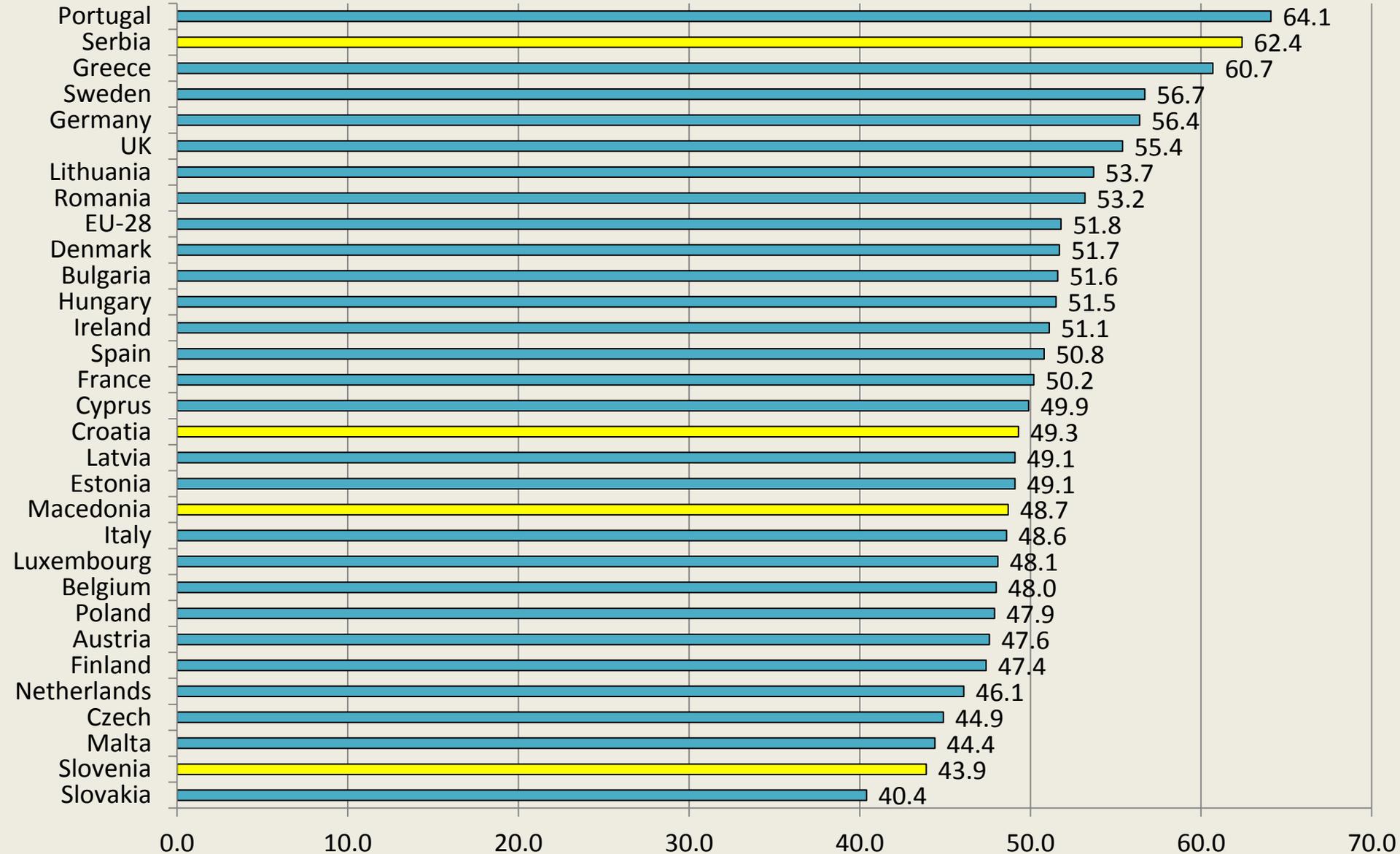
Varieties of capitalism (VoC) in Yugoslav successor states

- Successor states emerged from common institutional background
 - Path dependency, but:
- Different effects of wars and conflicts
- Differences in pace and pattern of privatisation
 - Speed of reforms
 - Early reformers: Croatia and Macedonia
 - Late reformers: Slovenia and Serbia
- Impact of neo-liberal agenda on welfare reform varied between countries
 - Primary influence of World Bank and IMF (Bosnia, Serbia), EU (Slovenia, Macedonia), mixed influences (Croatia)
- Quite different outcomes in terms of inequality
- Can VoC paradigm explain this outcome?
 - Coordinated market economies versus Liberal market economies

European Values Survey: % of respondents with much confidence in trade unions



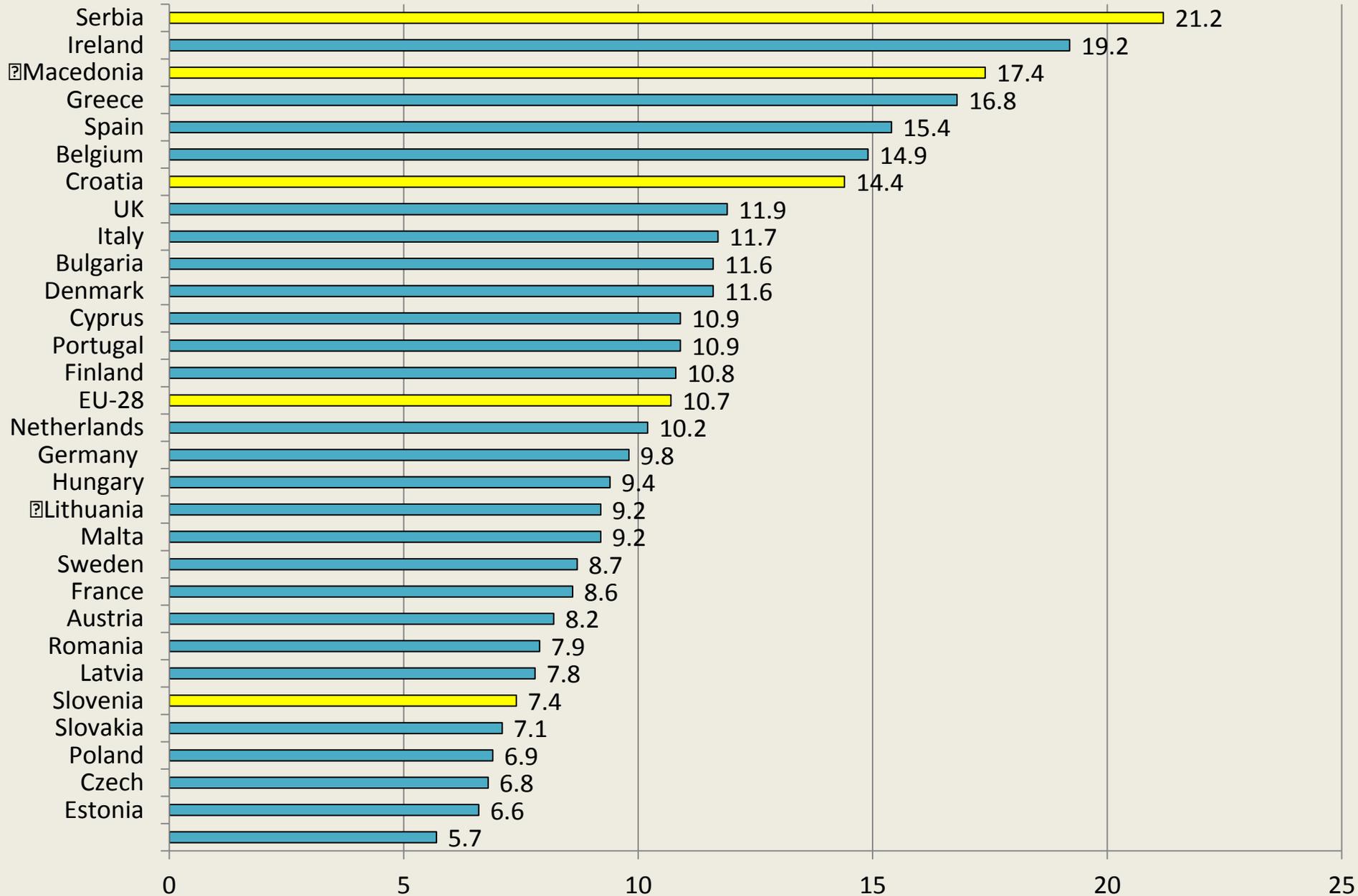
Gini coefficient of equivalised disposable income before pensions and social transfers



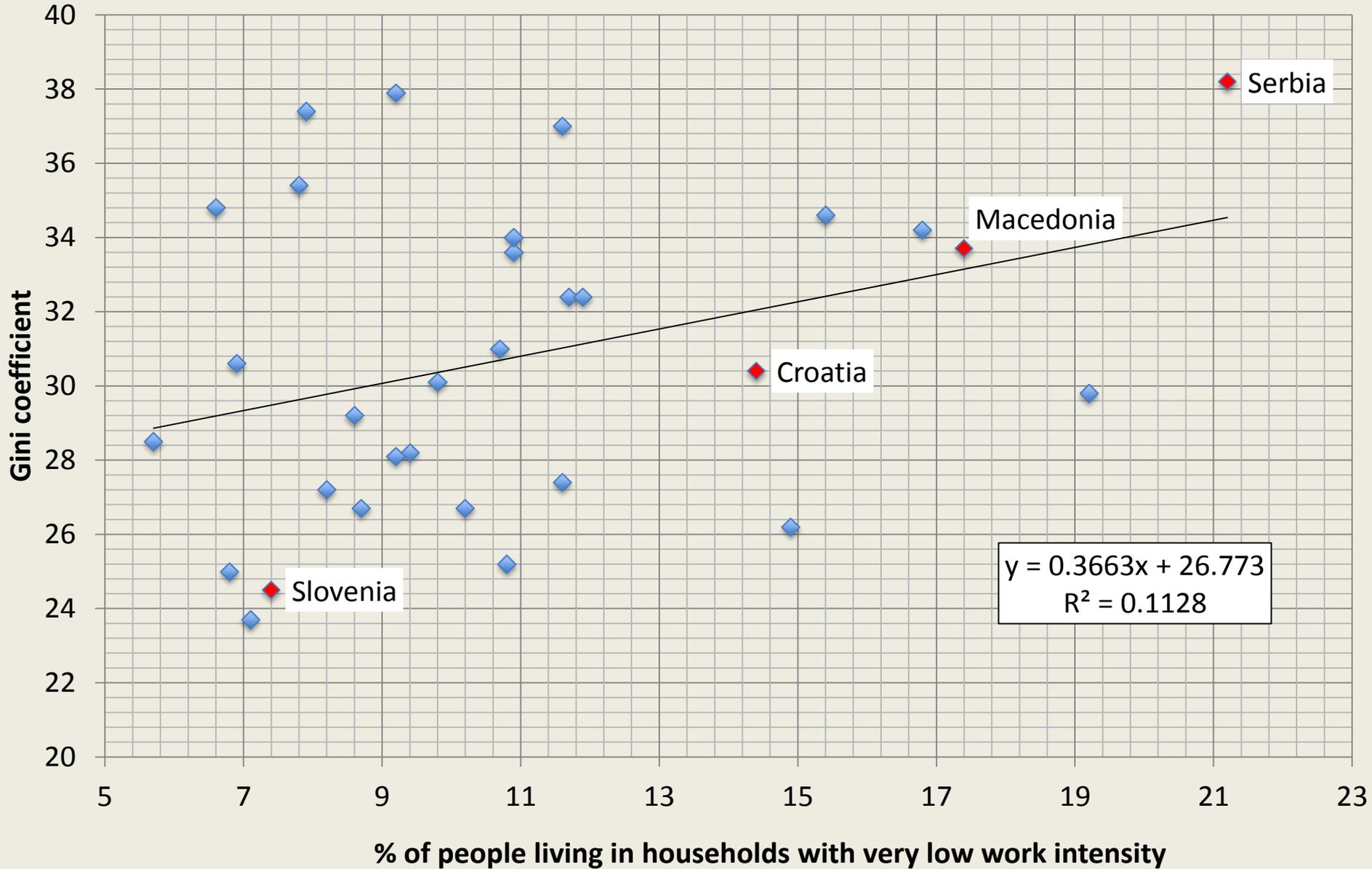
Quantity of employment

- In Serbia, Krstić (2014) using SILC survey data concluded that inequality of incomes of employees is related to:
 - Quantity and quality of employment
- In Serbia, 18.2% of persons live in households with very low work intensity (10.5% in EU)
 - Almost 50% of persons in lowest income quintile live in households with very low work intensity
 - Related to low participation rate of working age population due to unemployment and retirement and other reasons

People living in households with very low work intensity (aged 0 to 59 years)



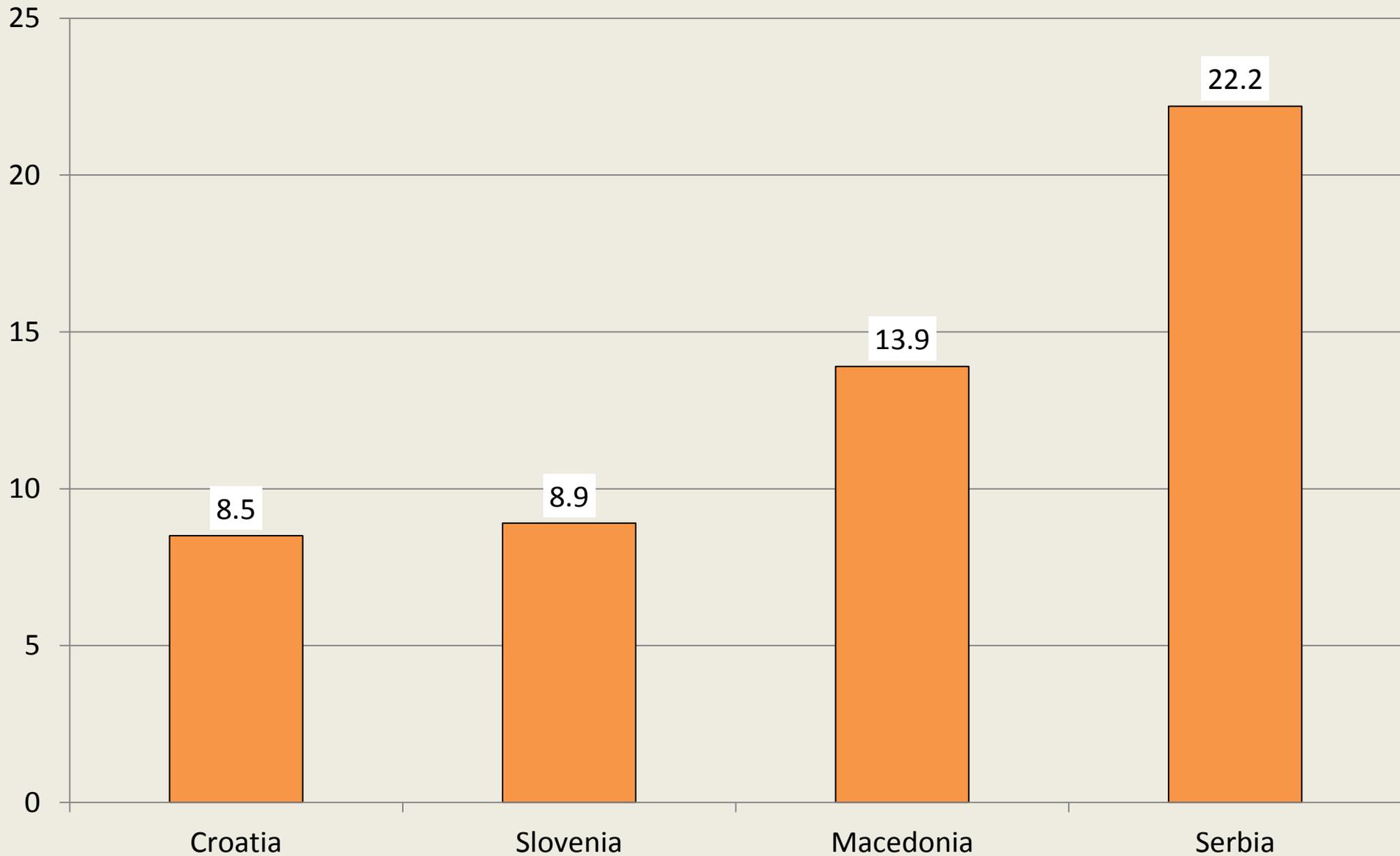
Low work intensity and Gini inequality



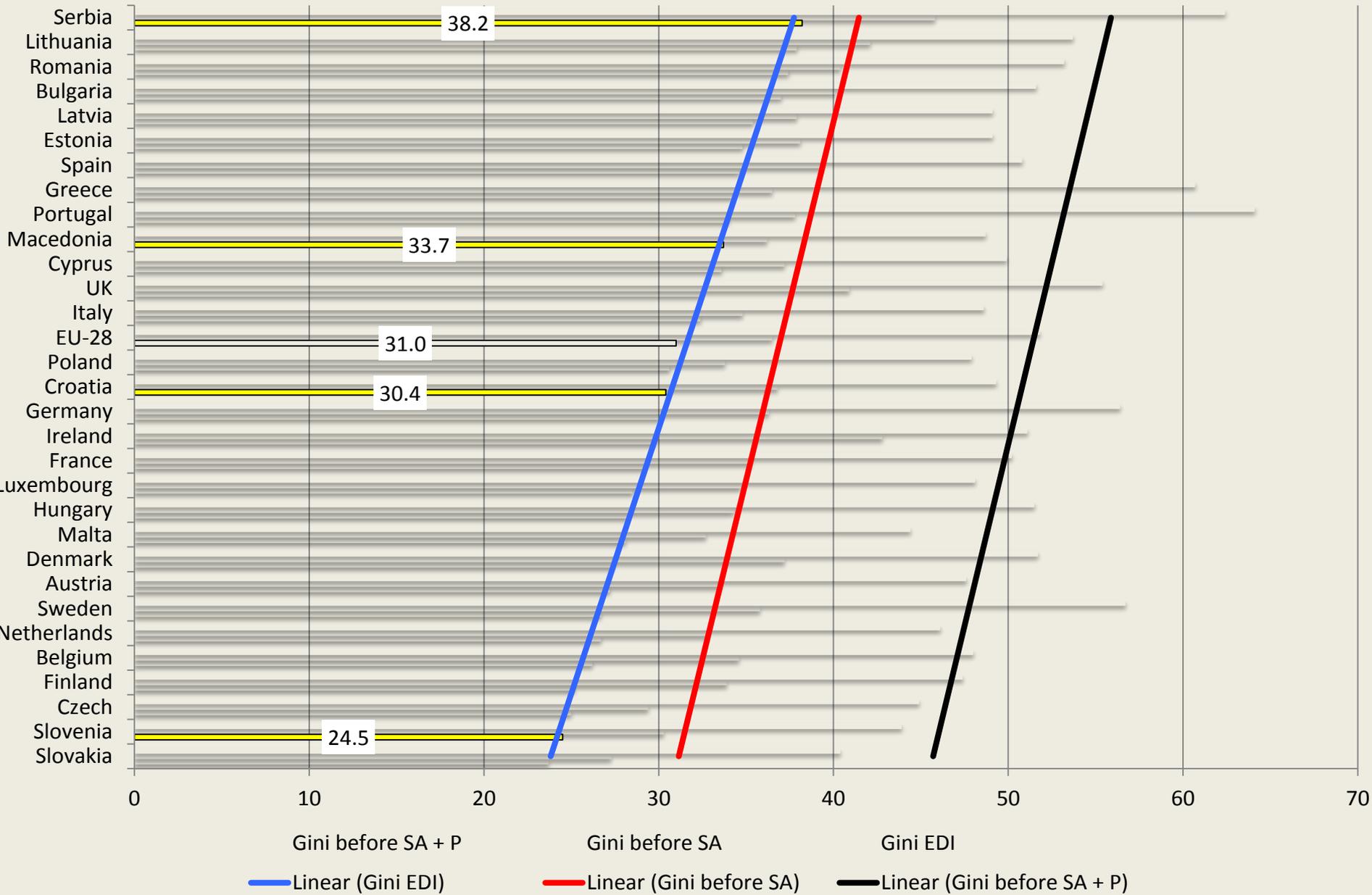
Quality of employment

- In Serbia, three quarters of employed poor *do not* live in households with low work intensity (Krstić, 2014)
 - So, **low quality of employment** contributes to poverty and inequality
- In 2014, 12.9% of employed were part-time workers, 24.1% were self-employed, and 18.2% were temporary workers
 - **Self employed and part-time workers are most exposed to poverty risk**
- Many of the self-employed are informal workers who are outside the social protection system
 - 22% of employees are informal workers, earning 22% less than formal workers (Krstić & Sanfey 2011)
- One third of part-time workers are poor, compared to 13% of full time workers
 - Many part-time workers are in the informal sector, as working part-time in the formal sector faces very high marginal tax rates due to low progressivity of the Serbian tax system
 - In contrast, Slovenia has a progressive system of personal income tax

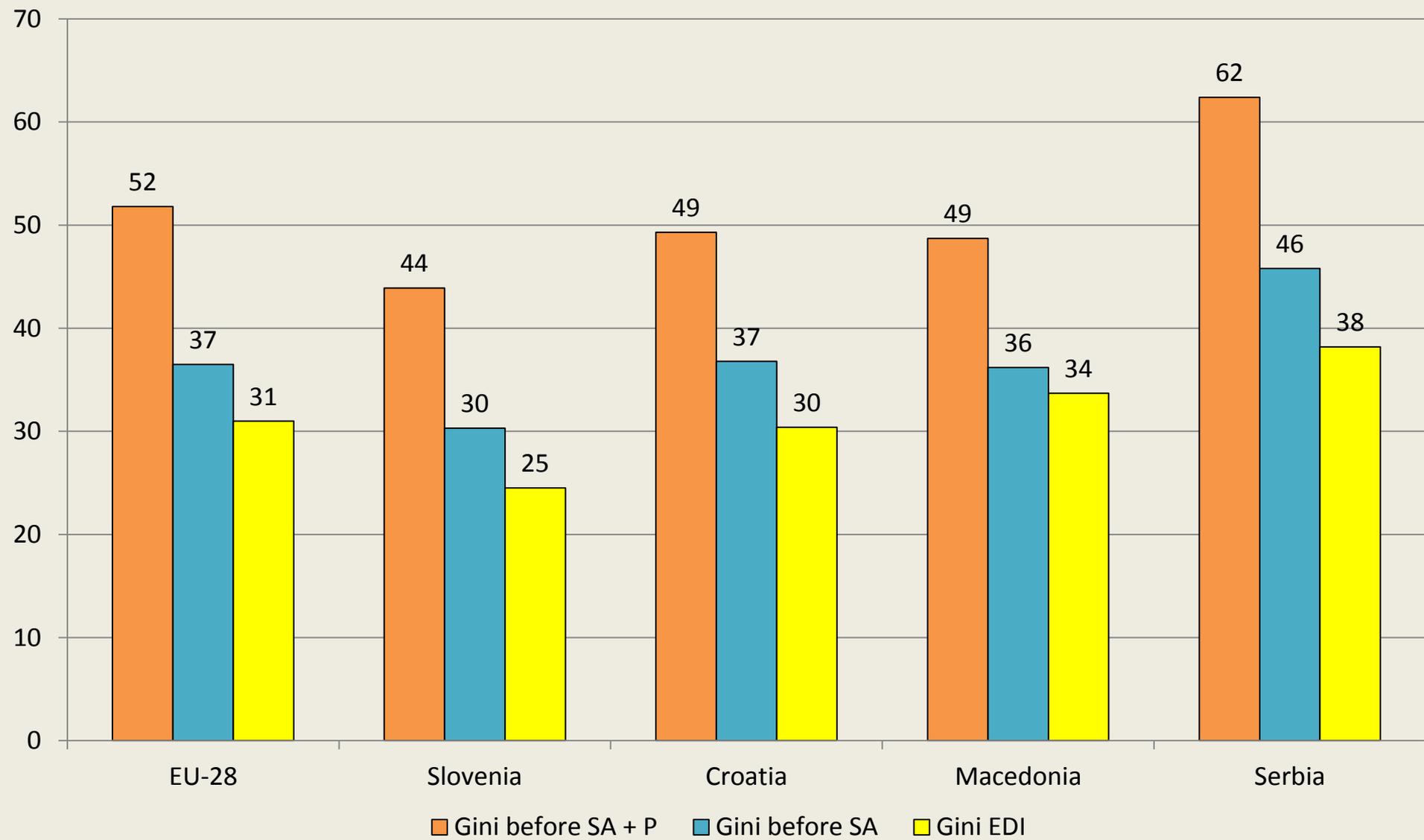
Own account workers % of total employment



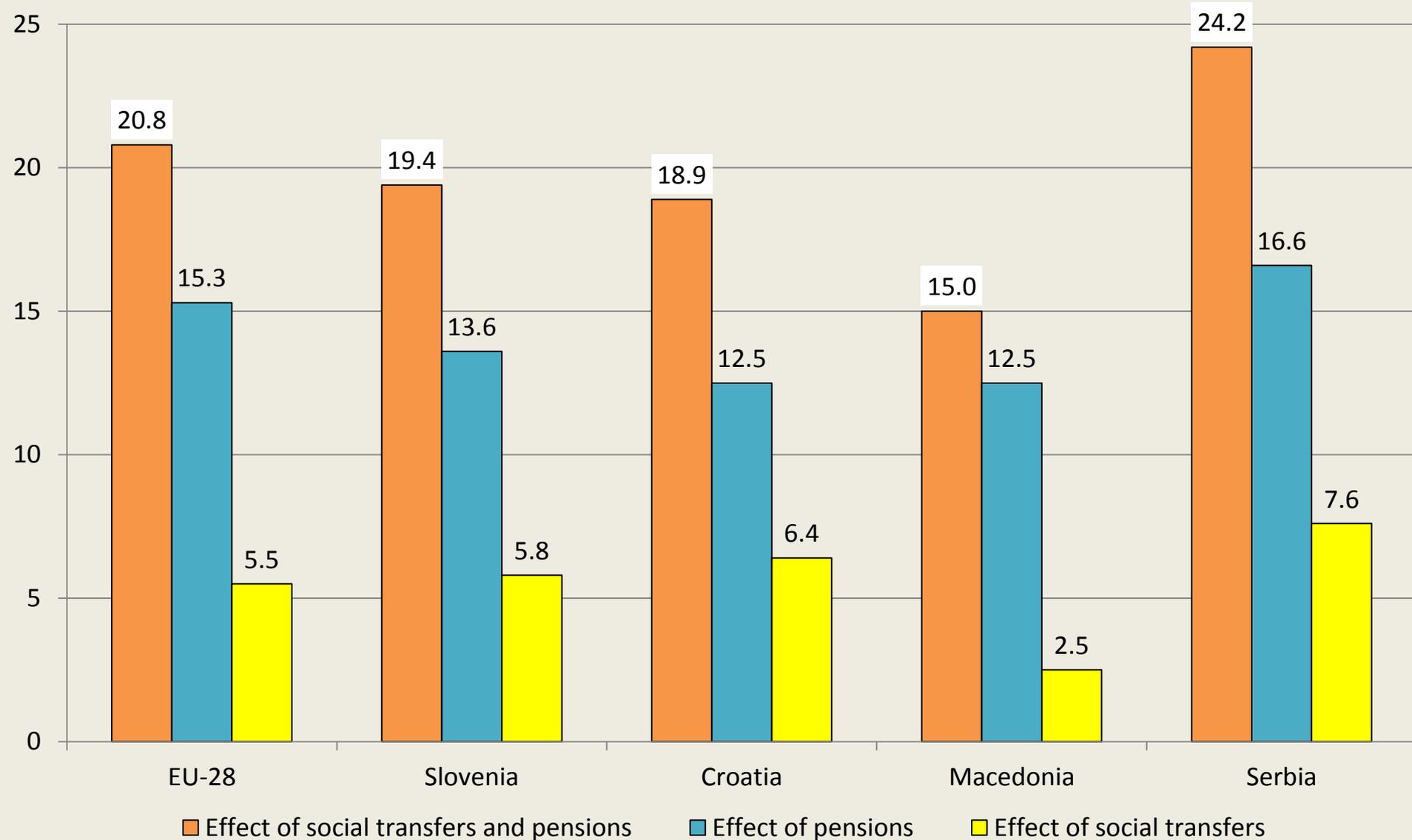
Redistributive impact of pensions and social assistance on Gini inequality



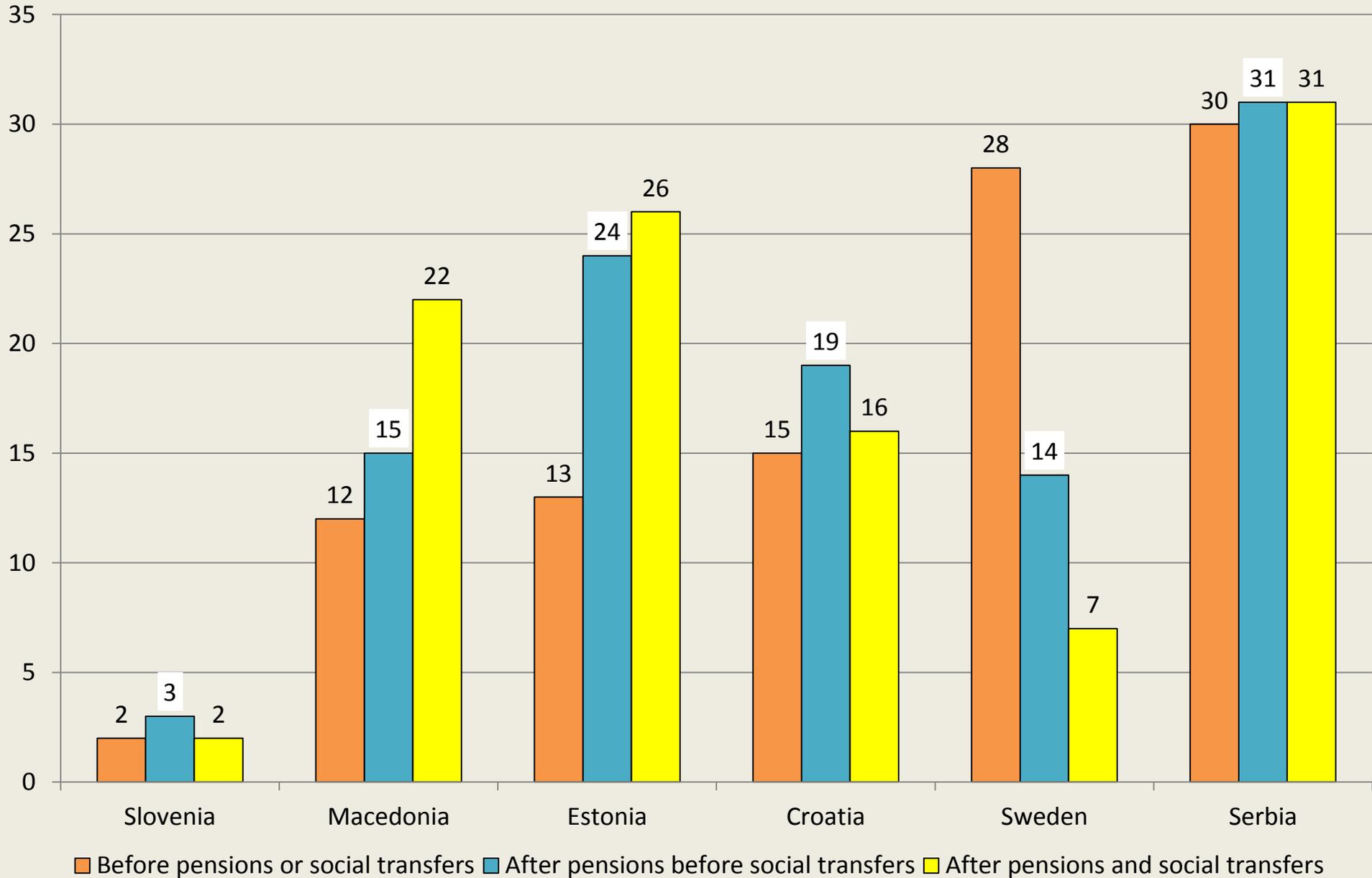
Gini coefficients in ex-Yugoslavia & EU (%)



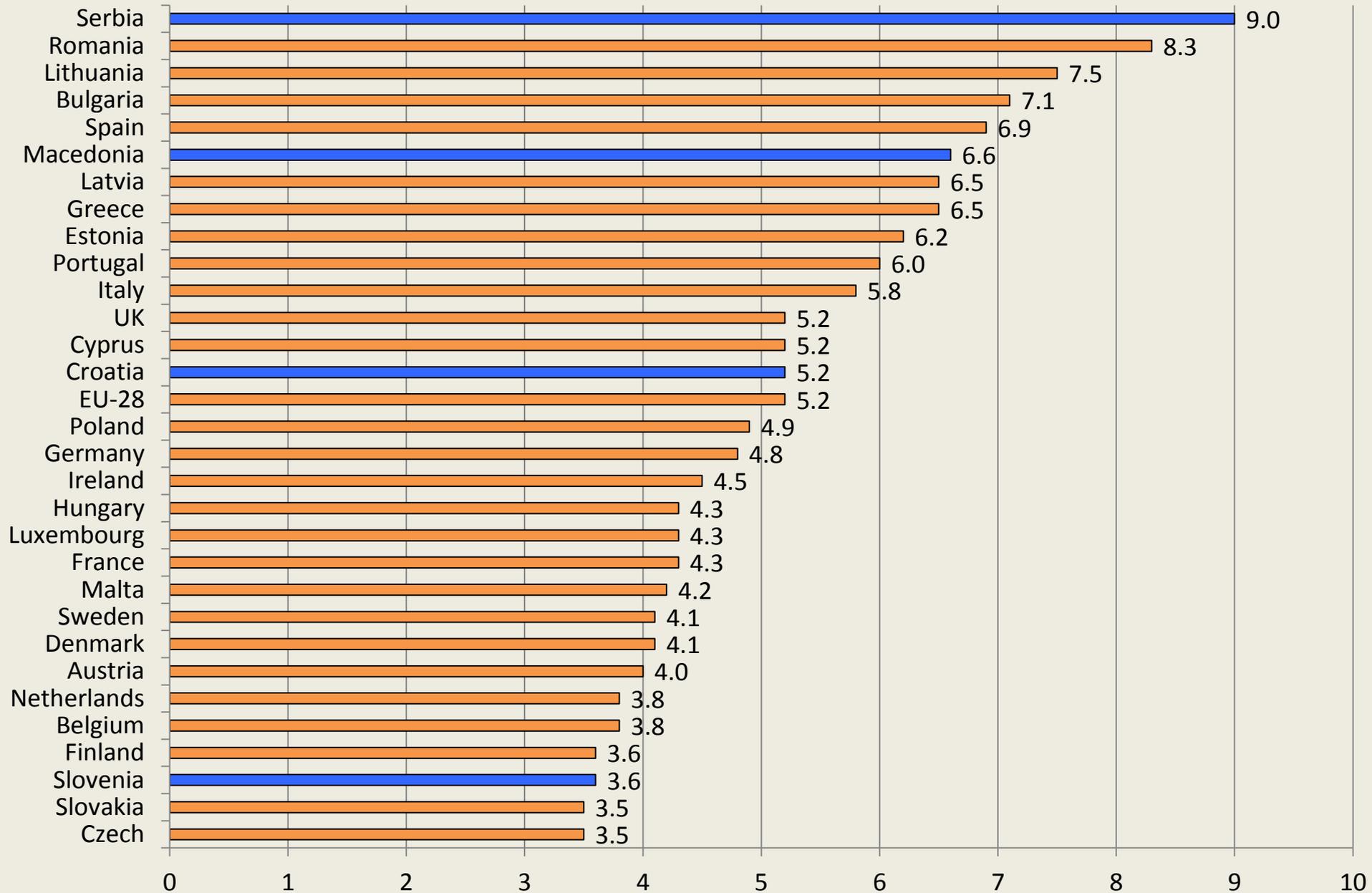
Redistributive impact of pensions and social transfers



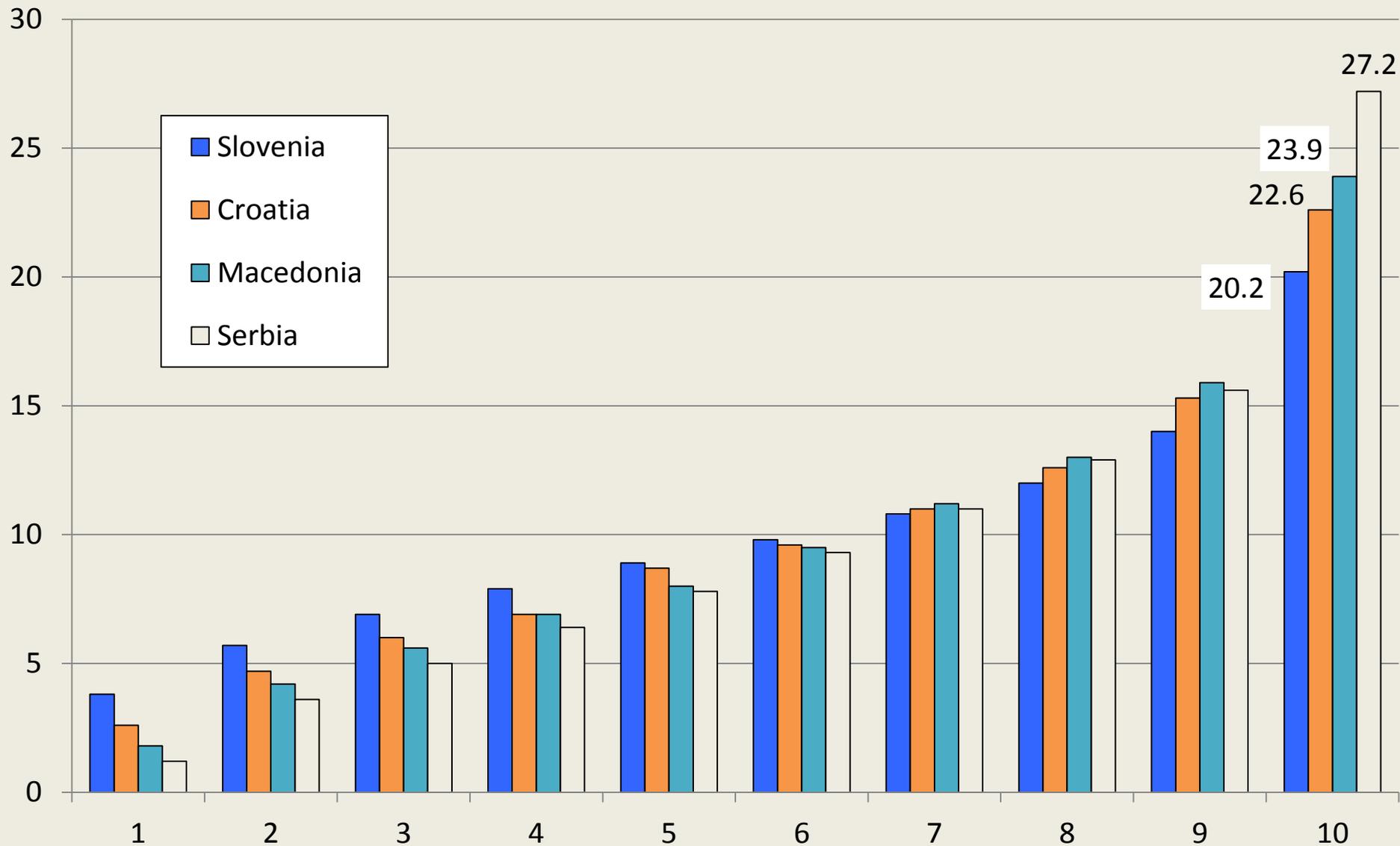
Rank order of redistributive effort from pensions and social assistance



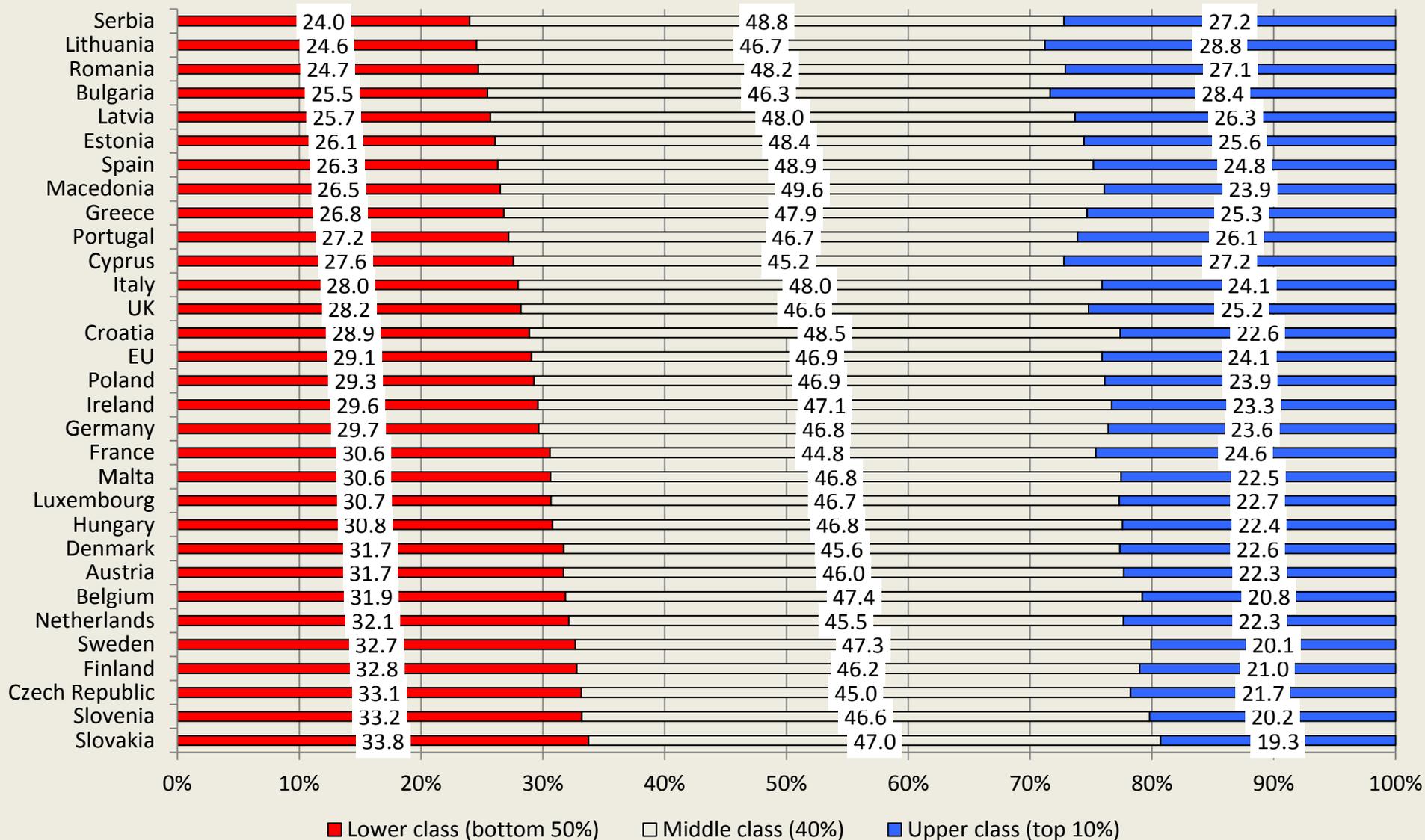
S80/S20 equivalised disposable income share ratio, 2015



Share of equivalised disposable income by each decile income group, 2015



Income shares of upper, middle and lower class after pensions and social transfers (% of national equivalised disposable income)

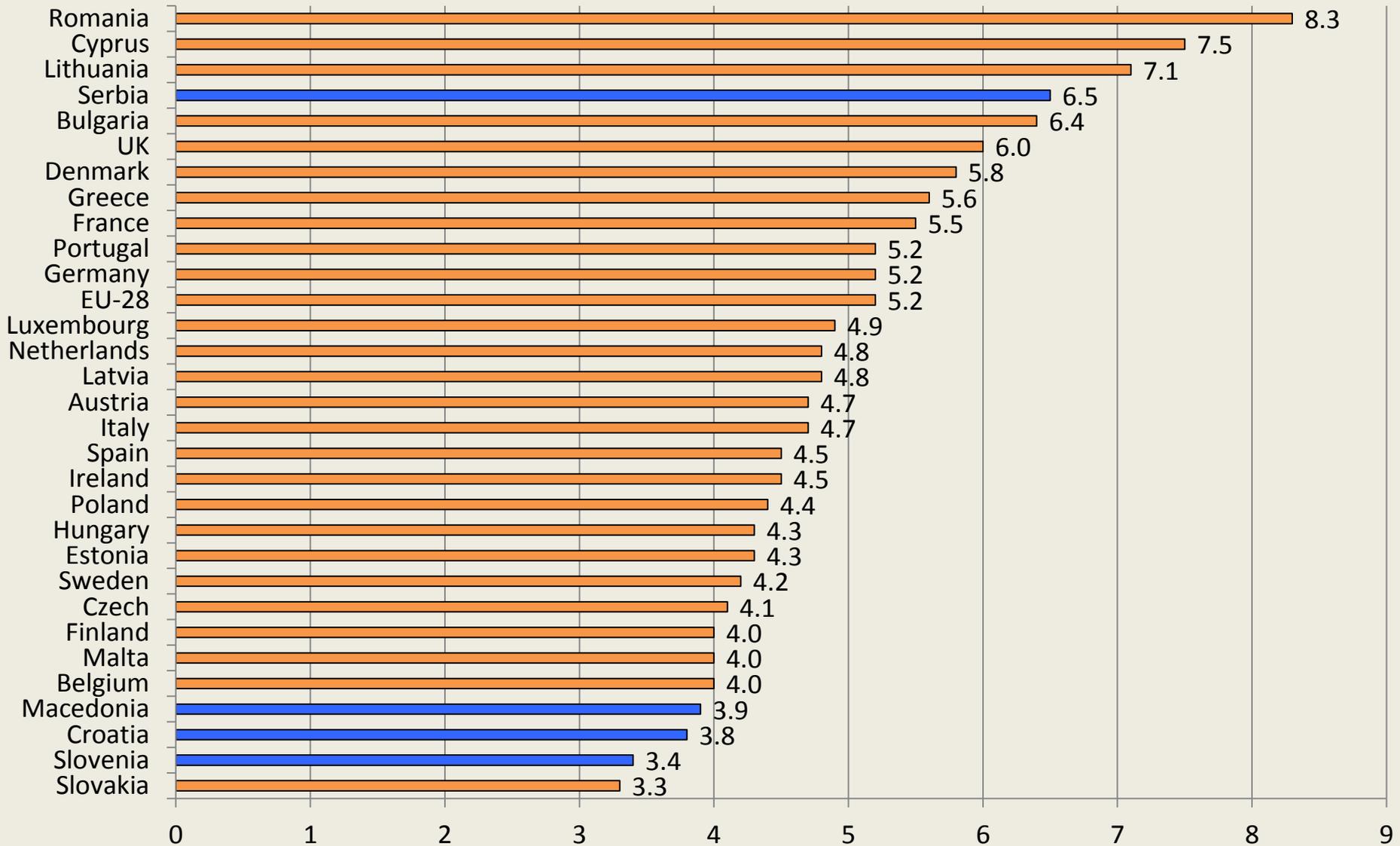


Variation of income shares

- Income shares of the middle class are much less variable than of the lower or upper classes
- Middle classes are protected by their “sharp elbows” or “voice”
- Upper classes in predatory societies extract surplus from the lower classes
- Easier to do where political power is concentrated in economic-political elite

	S.D	Mean	C.V
Lower class	2.836	29.145	0.097
Middle class	1.157	47.006	0.025
Upper class	2.420	23.871	0.101
S.D.= Standard deviation CV = Coefficient of variation			

Shares of disposable income gained by top 1% (% of national equivalised income), 2015



Why does inequality differ between countries of former Yugoslavia?

- **Explanation 1:** *Varieties of capitalism and paths of transition*
 - The gradual corporatist Slovenian transition was egalitarian, while the delayed shock therapy neoliberal Serbian transition was more extractive of the surplus from lower class workers generating relatively high levels of poverty
- **Explanation 3:** *Labour market institutions*
 - Differences in the quantity and quality of jobs may contribute to an explanation of the differences in inequality between these countries
 - Linked to degree of resistance to labour market reforms
 - And to progressivity or regressivity of tax system and consequent extent of informality
- **Explanation 2:** *Elite composition and forms of political capitalism*
 - The Slovenian elite was formed of ex-nomenklatura elements who resisted reforms, while the Croatian elite was reconstituted by members of the HDZ party and the diaspora who supported rapid but incomplete privatisation

Thank you for your attention !!!