



“SOCIAL INSTITUTIONS SUPPORT PROGRAMME”

Securing social protection for farmers

Farmers’ social protection in Serbia, Albania and Macedonia set off against European best practices

Regional CARDS-SISP Project

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Spring 2007

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Introduction

At the occasion of the regional SISP-seminar of November 16 in Skopje, the project proposal regarding the problematic social security position of farmers has been selected for further development. Three countries opted for this project and asked for a further analysis of the social protection system that has been put in place for the professional group of farmers, i.e. Serbia, Albania and the Former Yugoslav Republic of Macedonia, to which for the purposes of this project we will refer further as Macedonia. The regional project has been introduced as follows on this meeting:

“The problems and issues described as common to the self-employed in general could probably be repeated, with even more emphasis, when the self-employed farmers are concerned. In some countries they are covered by special social insurance schemes, sometimes together with all those working on the farm; sometimes special arrangements are (formally or informally) made for farmers within the general social insurance schemes. Especially the pensions deserve our particular attention.

Yet the active/passive ratio within farmer specific arrangements is always very bad; the subventions rather high, as compared with other workers.

A profound study of the pros and cons of farmer specific arrangements should be carried out, on the basis of a systematic overview of the data available and the possible policy approaches, concerning:

- *Coverage of insured persons – different solutions, their strengths and weaknesses;*
- *Collection of contributions – technique, the causes of poor collection, the possibilities to improve the situation, the effects of increased pressure aimed at improved collection;*

- *Contribution bases and rates – status, different combinations of contribution rates and bases and their impact, differentiated bases - the reasons for and against;*
- *Demographic situation – current status and prospects;*
- *Agriculture as economic activity status, regional aspects, development prospects, registration of agricultural households, influence on insurance;*
- *Analysis of social standing of insured persons and beneficiaries, possibility to differentiate insured persons according to their economic strength;*
- *Insurance of farmers in other countries, similarities and differences, possibility of applying the experience of other countries.*

The analysis of the abovementioned areas would provide answers to the question on whether potential improvements of the stated features of the system would ensure satisfactory impact in terms of future sustainability of the system.”

Along the lines of this description, we will develop the report on the basis of a structure where we will tackle consecutively the following items:

1. The concept of farmers: how can one define the group of farmers for social security purposes; what is the use of a proper delineation of this group; and can we discern subgroups within the farmers’ population?
2. The structure of the farmers’ systems: What kind of farmers’ systems can one discern? Are there pros and cons with regard to the different systems at stake? Should one better protect the farmers in a separated system or are farmers to be incorporated in more general social security systems covering all professionally active persons? Or does the structure of the system depend upon the covered risks (old age, health coverage, etc.)? And what are the parameters deciding to opt for the one or the other approach?
3. The personal scope: Who is covered in the system for the farmers? Only the persons who deploy the main “farming” activity? What about the helping partners or family members? What to do in case a farmer is performing simultaneously several activities? And what happens in case the farmers is entitled to a social security benefit: can he combine a benefit with income out of work? Do we need to introduce a minimum threshold of farming activity of which the farmer should show proof in

order to enter the system? Or is the simple fact that one is cultivating a privately owned piece of ground sufficient to be covered? How should the “farmer” be registered for social security purposes: as individual person or as farming entity covering everybody living together with the farmer?

4. The administration of the system: How is the social security administration set up? To what extent does one take care of the representation of the farmers group in the administration? Are the solutions different whether one is dealing with specific categorical farmers’ systems or with general social security systems in which farmers take part?

5. The financing of the system: how is the financing organised? To what extent do social security authorities cooperate with other administrations (such as tax authorities)? How does one establish the income of the farmer? What is exactly the income of the farmer? Should one make use of minimum and maximum contribution levels and how do these interrelate with possible minimum and maximum benefits? Does one have to make special arrangements for farmers in economic difficulties and/or for small land tenants? Should specific financial measures be taken regarding the worsening demographic situation of the farmers’ group (a growing ageing farming population compared to a reduction of young active farmers); and compared to other socially insured populations, should one take more measures to safeguard the sustainability of the farmers’ system?

6. The benefits: in what way should the benefits be designed in order to fit the situation of the farmers in the best possible way? Should one take into account the specific situation of the farmer with regard to the practical design of the benefit schemes? What is the specific situation of the farmer at the end of the day? And what kind of specific arrangements are to be taken then? Are different techniques/schemes to be designed depending upon the character of the covered risks (income replacement benefits vs. cost compensation)? Should one take into account the assets which the farmer holds (agricultural land e.g.) when calculating the benefits for the farmers?

7. The role of social assistance: how does the social (insurance) system for farmers relate to the general social assistance system? Providing a marginal social insurance for farmers can mean that the main burden for protecting farmers will be borne by social assistance. Is such a situation desirable for farmer and society at large?

8. Relation social (security) policy and other policies (tax, agricultural). Income redistribution in the farming sector is not done exclusively through social security.

Especially for the group of farmers, one should also look at the (policy) effects of the taxation system and the more general agricultural policy. In case tax rebates are given, to what extent should they have an effect on (the financing of) social security? Countries can opt deliberately for supporting the farming industry (in order to safeguard the own self-support of the country vis-à-vis other states). To what extent should one use “social security” as tool in this policy of support to the farmers? This and other questions touching the relations between the agricultural, tax and social policies will be highlighted in this section.

How then do we try to answer these questions? For each topic, a short description of the actual situation in the three involved countries will be given; this description is based upon the materials that have been sent in previously by the concerned local project officers, complemented with the answers that have been given on the basis of a small questionnaire sent to the competent administration in December 2006 and by the information provided by the national contact experts¹. At the occasion of this description it can be indicated to what extent the three countries face similar problems and/or to what extent the problems are related to one specific country. This description of local problems will then be put into a perspective of the “European” experience in socially protecting the farmers. More precisely some comparative analysis with regard to the given issue, will be provided. The analysis is mainly based upon previous comparative research with regard to the social protection systems of self-employed people in general and farmers in particular, that has previously been undertaken by ourselves or some of our colleagues in Europe². Mainly we will have a

¹ These experts are, respectively Gijs Vonk (Albania) and Grega Strban (Macedonia and Serbia). I am both persons grateful for the handed over information which they collected at the occasion of their fact finding visits to the resp. countries.

² Especially the following publications served as inspiration:

- P. SCHOUKENS, *De sociale zekerheid van de zelfstandige en het Europese Gemeenschapsrecht: de impact van het vrije verkeer van zelfstandigen*, Leuven, Acco, 2000, 612 (especially the country reports of part I);

- P. SCHOUKENS, *The social security systems for self-employed people in the applicant EU countries of Central and Eastern Europe*, in *Social Europe Series*, 5, Antwerpen-Oxford-New York, Intersentia, 2002, 239p

- D. PIETERS (ed.), *Changing work patterns and social security. EISS Yearbook 1999*, London-The Hague-Boston, Kluwer law International, 2000, especially the following three articles: P.

SCHOUKENS, “Comparison of the social security law for self-employed persons in the member states of the EU; H. JILKE, “The farmer and his social protection in Europe; and B. WHELAN, “Assessing the incomes of the self-employed”;

- MUTUALITÉ SOCIALE AGRICOLE, *Farmers’ old age social insurance in Europe: determinants, analysis and recommendations for South East Asian Countries*,
<http://www.worldbank.org/eapsocial/asemsocial/>

look at the social security systems for self-employed people and/or farmers which are in place in the European Union. On the basis of the comparative research we will try to figure out whether some best practices are in place, that may address the indicated problems. These best practices will be complemented by personal suggestions, in cases the listed problems are typical to the region. After having gone through all listed issues, we try to summarise in some final conclusions a modus operandi for improving the social protection of the farmers' group in the three involved countries.

From the outset it should be made clear that we will concentrate ourselves only upon the group of the self-employed farmers. In other words we will not have a broad look at the agricultural sector as such and the problems it faces in the field of social protection. Things as the specific problems encountered with the irregular work related to seasonal work (from abroad or inside the country) will e.g. not be touched upon. The decision to restrict ourselves to the social security system of the self-employed farmers can be motivated for two reasons. First it has to do with the project proposal as being introduced at the occasion of the Regional Conference in Skopje (see introduction above); secondly in the involved countries we notice that the farmers are in principle working as self-employed people (i.e. of a specific kind, having their activities in the agricultural sector) of which the organisation of a sustainable social protection system seems to be problematic in practice. The three involved countries moved away from the collective farms which were characteristic to the Communist era and now for many years know a growing group of sole proprietors who cultivate their lands or cattle husbandry in an independent manner, sometimes being supported by their family members. In case we might encounter problems related to the previous collective farming, they will be addressed. Yet the main challenge for the region seems to be how to deal in social security with the self-employed farmer and his/her family running the farming business. Some of the encountered problems will have to do with the self-employed character of the farming and thus will be of a more general nature addressing in fact the problems one encounters when protecting self-employed people. Other issues then will be more related to the nature of the agricultural

- J. FARRINGTON, a.o., *The search for synergies between social protection and livelihood promotion: the agricultural case*, Overseas Development Institute, London, 2004, 44p.;

- A. DORWARD, a.o., *Promoting agriculture for social protection or social protection for agriculture: strategic policy and research issues. Discussion paper*, 2006, Future Agricultures, 44p.;

- OECD, *Taxation and social security in agriculture*, Policy brief, 2006, 8p.

business (e.g. what is agricultural income?; how can you delineate agricultural activities from other self-employed activities?) As we will see later in some of the examined countries the distinction gets a bit blurred between the real farmers, being an economic agent who runs his/her farm in a manner to earn a living, and other small land tenants earning an extra on the basis of their farming activities, next to the pension they are entitled to, or another work they perform. Sometimes the latter kind of activity is even taking place in the hidden economy. The question here will be to what extent one should deal equally with the different types of farmers we encounter?

Furthermore, the research is about “social protection”, the latter being understood as the whole of schemes addressing the traditional social contingencies/risks that people may face: i.e. the income replacement schemes relating to the contingencies, of old age, loss of partner, work incapacity, unemployment; and the cost compensation schemes addressing risks as health care costs, care costs, family burden. Our primordial focus will be upon the coverage of these traditional “social insurance risks”, and less upon social assistance schemes, as the latter kind of arrangements mainly address population at large. However, attention will be given to social assistance, in case it turns out that special assistance schemes are designed for farmers or when farmers to a large extent rely upon such schemes when victim of a particular social risk. The main focus will be upon the statutory schemes, indicating only at some occasions the interrelation these statutory schemes may have with other protection forms (of a more private nature). The latter will be done mainly when talking about the interrelations between social policy and the adjacent tax and agricultural policies.

The research is not providing an analysis as such of “black work” although farming in the Balkan region is known as a sector that has close ties with hidden economy. Many persons do indeed perform (small scaled) farming activities that are left unreported; or farmers might refrain from unveiling fully their professional income. The phenomenon of black work and unreported work will be extensively covered by the

reports of colleagues Pieters and Strban³. This research is not to be considered as a specific report on the black labour encountered in the farming sector. Yet by addressing some problems related to the social protection of farmers, we might touch as well upon some causes that contribute to the hidden economy in the region (e.g. the (under)reporting of income; the registration of farmers). In that way the report may be seen as a complement to the research activities undertaken by colleagues Pieters and Strban.

1. Defining the group of farmers for social security purposes

1.1. Defining “farmer” in the social security systems of Albania, Macedonia and Serbia.

There is no uniform concept of “farmer” in the social security legislations of the respective states.

Serbia

In the Republic of Serbia, the system of mandatory pensions (covering old age, survivorship and invalidity) considers the group of farmers as a special category of persons, covered by the mandatory insurance. The three main groups in the pension insurance are employees, self-employed persons and farmers. Farmers are defined as persons who are performing an agricultural activity and who are not at the same time working as a self-employed person or as a wage-earner. This definition can also relate to the family members supporting the farmer (head of the farm). The supporting family member is however to be distinguished from the main farmer, as he is not compulsory insured. To figure out who for the application of the pension scheme can be considered as supporting family member, one applies two criteria: the person should belong to the farmer’s household, this being described as “a union of persons living, earning and spending income together generated by the household members,

³ Which have been developed respectively in the framework of two other regional projects, i.e. “Bringing to the surface black and grey work” and “The contribution collection”.

irrespective of their relations”; secondly, one can only be considered as a supporting family member, when in the said household at least one other member is compulsory insured as farmer, and when one is not on the basis of another position insured in a pension scheme (e.g. as employee or self-employed person). In the health insurance we find the following description of farmer: “a person over 18 years of age who performs an agricultural activity as the only or principal occupation provided that he is not already covered as employee, self-employed person, a beneficiary of a benefit, or as a person following education (student).

Barring the definition of the supporting family members, the definition applied both in the pension and the health care acts, do refer thus to two elements: the fact that the person is performing agricultural activities, and secondly, the fact that the person is not at the same time insured in another status.

Macedonia

According to Macedonian legislation, a farmer is a tax payer for a revenue which finds its origin in agricultural activity. The linkage is made here much more with the tax law. However as we will see later when dealing with the personal scope of the Macedonian social insurance schemes, only persons having agricultural activities as their only occupation will be taken into account as farmers for the application of the social security system.

Albania

The Albanian system works with a presumption that land owners in rural areas are considered to be farmers: in the facts people in the agricultural sector consist of the former cooperative members, former workers of the ex-agricultural enterprises and all those people who are entitled to land ownership according to the legislation which regulate(d) the “distribution of land” after the collapse of the Communist regime⁴. The latter refers to all individuals who own agricultural land according to the law on the distribution of land, all individuals who have bought agricultural land or rent such land. However, holding agricultural resources is not enough. If they exercise and

⁴ Nearly 70% of the rural families own agricultural land (in average 8300 square meters per family). Most of the time however these families do earn as well other income from employment or self-employment in Albania or abroad, or are entitled to an income replacement benefit such as a pension.

develop agricultural and/or animal husbandry activities on such land, they are considered to be farmers, at least if they are not performing other professional activities for which they are socially insured. Next to the presumption, one is thus looking whether the person is farming in reality (hence is developing agricultural activities). But as in the other two countries, one is not considered as farmer anymore when having at the same moment another formal social insurance position (e.g. in case one is at the same time insured as an employee or a self-employed person). Unpaid family members of the farmer can be covered as well for certain contingencies depending upon the decision of the Committee of Ministers: we are dealing then with family members living and working with the self-employed person and who do not have another employment or professional activity.

In essence the farmer under consideration in the region, is a person performing agricultural activity but who is not holding at the same time another position in the social security system as wage-earner, self-employed person or civil servant. Common element in the given definition of farmers is that they should perform an agricultural activity. Even in the Albanian definition which starts from a presumption that persons in rural areas owning a plot of land are considered to be farmer, the decisive element differentiating farmers from other professional groups boils down to the delineation of agricultural activity. Question remains how that latter concept is to be defined. Here no clear indication was given in the three countries. None of the countries e.g. refer to a minimum size of land (or amount of cattle) that needs to be cultivated in order to be considered as “performing agricultural activity”. To be considered as a farmer it is enough that one holds (as an owner or in another position, e.g. through renting) agricultural assets (such as land and cattle) and “cultivates” these assets.

Strangely enough one cannot be a farmer in case one is already insured in another position. As we will see later on this combination of activities will have different consequences for the social security legislation in the three countries⁵. More important

⁵ In Serbia e.g. one can only be insured for the sake of the pension insurance under one status: as wage-earner, as self-employed person or as farmer. However the income of all possible mixed activities is counted together under the assigned status. If e.g. the wage-earner has also an activity as farmer, then the income of the farming activities will be counted together with the income of the wage-earner

here is to stress the residual character of the delineation of the farmers group in the concerned countries: we are talking here about persons who cultivate agricultural land (which they own or rent), whatever the size of that land, as long as they are not having an other activity as employee or self-employed person.

Next to that in Serbia and Albania, household members can also be considered to be a “farmer” be it of a special kind: they can be “freed” from compulsory pension insurance (Serbia), whereas in Albania active household members can be co-insured in a favourable way depending upon the decision of the Committee of Ministers. To be considered as a supporting family member, there should be relation with the head of the farm (family ties in Albania, or, living in the same household for Serbia) and the person should not be socially insured at the same time on the basis of another position (as worker, person entitled to a benefit or student).

1.2. Defining the “farmer” in the European social security systems

Defining this group for social security purposes is not always easy in Europe. This can be due to the fact that farmers “do not exist” prima facie for the application of social security legislation; more correctly they do not exist as separate legal category as no specific scheme is in place for them. One often needs to refer to adjacent legal disciplines to define the group of farmers. The determination of the exact content is left to other legal domains, of which the most important is tax law: a farmer for social security is then in the first place a person who for tax reasons is qualified as a person performing agricultural activities, the revenues of which are made subject to specific income taxes. The tax specificity lies in the fact that the raising of taxes on farm income is differently organised (e.g. the use of fixed criteria, such as the size of the cultivated land or the amount of cattle on the basis of which the farm income is being established). In a number of countries, such as Luxembourg, Austria, France, Germany, the farmer is defined in a “formal” way: the person who is formally enrolled in the Chamber of Agriculture is in principle being considered as “farmer” for the purpose of social security. This is mainly due to the fact that in those countries

activities. For the other schemes though (health care, unemployment, etc.) one can only be insured under the heading of one status.

one has in place so-called categorical social security schemes for self-employed people. Hence, a self-employed person as such does not exist, only the practitioner of a liberal profession, a craftsman, a trader, a farmer etc. The latter groups are mainly delineated through the formal registration in their respective professional Chambers. A farmer is then mainly the person who formally belongs to the Chamber of farmers due to the fact that he is performing agricultural activities of a kind that allow him/her in accordance with the legislation to become registered as a farmer.

However most of the times the farmer is incorporated in a general social security system and is thus simply a professionally active person who in a similar manner as the other colleague workers pay contributions into the system and will eventually be entitled to benefits. In most European countries farmers belong in fact to the broader group of self-employed people and as all other self-employed persons, they are working on their own account (i.e. they are not standing in a subordinate relationship to their principals). Many social security systems operate in such a way (e.g. Belgium, The Netherlands, the Scandinavian countries, most of the Central- and Eastern European countries). However, it is possible that in those general social security systems, farmers are singled out for some specific rules or arrangements, some of them belonging to social security law, other finding their origins in other legal disciplines. For example, not only for the financing special regulations apply, but also the short term income replacement schemes are adapted to the situation of the self-employed farmer. In Belgium e.g. farmers pay contributions on the basis of fictitiously assessed professional incomes and not on their real professional earnings. This has to do with the fact that for the financing, social security makes use of the income facts, as being declared for tax purposes. In the tax legislation the farmers are a specific group paying personal income tax on the basis of fixed parameters (depending on negotiations between the tax authorities and the representative groups of the farmers). The same holds true for the benefit schemes where sometimes farmers enjoy a specific benefit fitting in better with their specific working conditions. Many countries e.g. provide in case of short time work incapacity, a business help (a person supporting the farmer who due to his/her disease has to disrupt his activities) rather than granting an income replacement benefit to the farmer. Other countries provide in a specific temporary unemployment coverage for farmers which due to severe weather have lost their harvest (or more generally their seasonal agricultural

turnover). It is self-evident that in case specific schemes or benefits are designed for the farmer in the general social security system, one has to be able to discern who can be entitled to this specific arrangement: hence it becomes necessary to define the group of farmers.

And here as well we find definitions coming rather close to what exist in Serbia, Albania and Macedonia, be it that the “positive” element of “performing an agricultural activity” is a bit more developed and the “negative” element of not having another social security position as worker of self-employed gets another meaning. Let us have a further look at both elements.

The farmer is performing agricultural activities

When talking about farmers we are dealing with persons performing an agricultural activity. An agricultural activity is in the first place to be considered as an economic activity; this has some consequences, as the agricultural activities should include a profit motive (without it really being checked that there is any real profit gained). In other words, the farming activity is to be gainful, in the sense that the farmer and his family could earn a living on it.

The two components, “agricultural” and “activity”, are thus important, the first one delineating the farming activity from other economic and industrial activity, the latter referring to the gainful character. “Agriculture” refers to “the agricultural and forestry activities carried out in agricultural undertakings including crop production, forestry activities, animal husbandry and insect raising, the primary processing of agricultural and animal products by or on behalf of the operator of the undertaking; it can even refer to the use and maintenance of machinery, equipment, appliances, tools, agricultural installations, including any process, storage, operation or transportation in an agricultural undertaking which are directly related to the agricultural production”⁶.

⁶ As defined e.g. in the ILO Convention and recommendation on safety and health in agriculture. As both documents target at the agricultural sector at large (including as well the agricultural workers), the definition has been broadly stipulated. The second part of the definition (related to the secondary agricultural activities) traditionally does not refer to the self-employed farmers strictu sensu.

But an agricultural activity is not enough; it should be gainful too in order to be considered as a professional activity. The farmer should have the intention to earn his/her living on the basis of the performed agricultural activities. The latter is something different from getting a profit out of the activity. Even when one has the intention to earn his/her living on the basis of an activity it is possible that during some periods, the activity is not profitable, or is even making losses. Some countries do not leave completely the appreciation of pursuing a gainful activity to the discretion of the person him/herself. In other words, minimum criteria are being imposed before the person can be considered to be a professional farmer. Often one imposes a minimum size of activity (farm land, crop, cattle, etc). This “size” is defined taking into account the “kind” of agricultural activity⁷ and/or the mix of such activities (i.e. crop production, forestry activities, cattle, insect raising, etc). Essential is that the minimum size should allow a farmer (family) to live an earning on the basis of the activities. Elements such as prices for agricultural products, shares for own consumption, levels of professional income in the country, etc., determine such a minimum size. Important is that the farm has the potentiality to reach the set minimum, without it being relevant that it does so in reality. It can be added here that lately in the EU agricultural policy, one targets at the creation of farm companies, the size of them being big enough to allow the necessary investments for modern equipments. The minimum size for land cultivation is growing steadily to around a minimum of at least 5 to 10 Ha.

An alternative for the minimum size, is the reference to a minimum amount of yearly earnings; in other words one has to generate a minimum amount of revenue/turn-over in order to be considered as a farmer. When not generating enough farming income, the person will not be considered to be a farmer. As the (self-employed) farmer often declares himself the earned revenues/income such a system is prone to under-declaration of income (in order not be considered formally as an active farmer).

By imposing minimum criteria one can also discern agricultural activities of an economic nature from farms owned by small land tenants. The latter mainly allow the

⁷ In other words one should be able to make the difference between the various agricultural activities, such as forestry, fishing, etc. proper definitions delineating between these groups should be put in place. See more about this under the personal scope.

owners to live on the own cultivated products, but are not of a nature to enable them to raise professional income (a “profession on the basis of which one earns an income”). Although small land tenants sometimes survive on their own agricultural activity (and by doing so also “raise an income” by saving some spending on nutrition and basic living costs) it does not result to a professional income on the basis of which one can normally live his life in a traditional “money” economy. Some countries clearly reserve the professional social insurance (for farmers) to the economic farmers. By introducing now a threshold of minimum size and/or minimum income, the small land tenants are deliberately kept out of the social insurance system for farmers as their activity alone does not allow them to paying in the necessary contributions. In other words, it is not in the first place trough farming that small land tenants will have access to social protection, but on the basis of another position (e.g. pensioner, another major professional activity, social assistance, etc.). In some countries small land tenants will be exempted from social protection; other impose still financing duties upon them but of a smaller amount. Sometimes, as the Lithuanian cases shows, small land tenants are protected in a different manner (only for some basic needs; a kind of mini-protection). All these options will be developed more in detail when treating the structure of the farmers’ systems in place in Europe.

... and is to be differentiated from other professional groups

With regard to the “negative” element – the fact that the farmer is not working as wage-earner, civil servant or self-employed – the following remarks can be made. The first “negation” stands in relation to the wage-earners and civil servants. Barring some exceptions, where farmers are a particular group of wage-earners⁸, farmers are in most European countries self-employed; they work thus on their own account, or put differently: they are working in an independent relation to their commissioner. To make proof of his/her independent character of work, the farmer should show that he is not working in a subordinate relationship to his principals (contrary to the wage

⁸ Being thus agricultural wage earners who are covered in a specific system which is different from the general wage-earner system. In France and Spain e.g. both self-employed farmers and farmer- wage-earners are covered structurally in one system, which then provides an adapted protection to each of them. In many (former) communist regimes the persons working in the collective farm were considered to be a worker and not a self-employed agent.

earner who is working under authority and control of his employer). In that way the (self-employed) farmer does not differ from other self-employed people. Essential here is the fact that the self-employed farmer is not working in a subordinate relationship. To assess whether the latter element is present, one starts from the employment contract. A person is working under an employment contract when there is a bond of subordination between the commissioner (employer) and the person executing the commission (wage earner). The wage earner is “subordinated” when he is working under authority of the employer and when his professional activities can be controlled by the employer (to check whether the work follows up correctly the previously made work indications). It has to be said though that this bond of subordination has developed significantly in Europe. Whereas originally the judicial bond of subordination was meant, the relation between commissioner and executor has in recent years been tested against economic factors as well (is the worker functioning in an economic weak position, hence depending economically upon his commissioner).

The “second negative” element that may be involved in the definition of the farmer, refers to the differentiation of the farmer from the other self-employed groups. It is indeed possible that within the larger group of self-employed people, specific regimes are in place for the group of farmers. This can be because of a separate social security system for farmers, which is differently organised from the other self-employed system(s), or, because special measures with regard to the financing and/or benefit schemes, have been made for the group of the farmers. For that purpose one should be able to differentiate the (self-employed) farmer from the other self-employed groups. Here traditionally one makes use of the “positive” description element of the farmer: the self-employed farmer is the person pursuing activities of an “agricultural” kind.

We should notice though that the negative element in the definition of the farmers’ group in European systems has a different meaning than the one applied in Serbia, Albania and Macedonia. In the three latter countries, farming cannot be combined with other professional activities for the application of social security: as soon as a person who cultivates agricultural land, has gained a professional status as worker or self-employed (other than one based on farming) he is pushed out from the personal

scope for the farming activities⁹. For the application of social security, one cannot be farmer and wage-earner at the same time or combining a farming activity and another self-employed activity. This kind of restrictive redefinition has thus serious consequences for the personal scope of social security, barring the access to some farmers as they happen to have also another professional status. This kind of legal effect on the personal scope is definitely no being pursued by the definition of “farmer” in the EU-systems: here the negative element is used in order to link up the farmer to the scheme/rules which are specifically made for them. In other words it is possible to be farmer and worker/self-employed at the same time; the consequence will be that one will be insured in two positions (as farmer and as Self-employed/wage-earner). However, to apply the correct rules on the correct activities, one needs to use appropriate definitions: a farmer is a self-employed person who is thus not a wage-earner; and within the group of self-employed he might be differentiated from other independent entrepreneurs due to his agricultural activities.

And the family members?

A specific group among the farmers are the relatives who support the farmer in his activities. As will become more clear in the section on the personal scope, countries do sometimes make specific arrangements for the so-called “assisting family members”. Their main activity is to work on the farm, yet not in such a way that they take managerial responsibility. Some countries decided to free the relatives from insurance or to create a separate protection scheme (which is then less elaborated). In case one creates a specific arrangement for them, countries need to delineate in appropriate way these family workers. Elements taken in consideration are, the relation to the farmer (marital status, partnership, descendancy/ascendancy, etc), living in the same household and/or the fact that the person is not taking up managerial responsibility. It should be said though from the outset, that the actual tendency is to do away with these “favourable” schemes for assisting family members, as they often turn to have a discriminatory effect for women working on the farm (see more under the personal scope when dealing with the co-operative spouses).

⁹ In Serbia though, but this for the application of the pension insurance only, the overall income of all combined activities will be counted together and will be attributed to the assigned insurance status (as wage-earner or as self-employed person)

1.3. Some conclusions

Although basically the three countries dealt under this report define in a similar manner the farmers for social security purposes, some elements in the definitions should be developed somewhat further or should get another emphasis. First of all when defining the concept of farmer, more emphasis should be put on the economic nature of agricultural activity, making sure that the system for farmers deals in the first place with persons intending to earn their own living on the basis of the deployment of their activity. As a consequence a more clear distinction could be made between the “genuine” farmer who might be in need of a protection which is tailored to his needs, and other persons who cultivate land but not in a way that it becomes self-supportive (e.g. small land tenants). This should not be understood as a way to throw out small land tenants from social protection; for them an appropriate access will have to be granted to the social security system as well, but not via the social insurance scheme(s) developed specifically for the group of the farmers. In the sections dealing with the structure of the systems and personal scopes, this link between small land tenants and social security will be developed more in detail.

Secondly, to delineate the group of farmers appropriately, one needs to map better the different types of agricultural activities in the country, and secondly to develop parameters indicating what minimum size is needed to be considered as necessary to earn ones living as a farmer. This will inevitably mean a closer cooperation with the department of agriculture. As long as these parameters are not sufficiently developed, it might be useful to work for financing reasons with a minimum income that is assumed to be earned by farmer. In other words a person holding land which he cultivates will consequently be assumed to earning at least the minimum income that needs to become self-supportive (linked e.g. to the minimum subsistence or minimum wage).

Thirdly the definitions should be reconsidered as to the effect they have on the personal scope. The fact that one is worker or self-employed persons should not have as negative consequence that one cannot be considered anymore as a farmer. The one has nothing to do with other; moreover one should be able to combine different

positions in social security, each of them having its own legal consequences (see for more below under the heading of the personal scope).

In a similar manner the assisting family members should be defined separately from the other possible professional statuses the family member could have. In essence it are persons standing in a certain family relation to the farm holder, living together with that person, who support him in the farming activities and for whom specific arrangements have been made in social security legislation. However, it would reflect a modern approach if one would do away with this specific category as practice shows that often the special arrangements developed for assisting family members work in a discriminatory way against women (see as well personal scope).

2. The structure of the social security systems incorporating the farmers

2.1. The structure of the farmers' social security in Albania, Macedonia and Serbia

In the three envisaged countries, the farmers are taking part for their social security in the general social security systems, except for the pension insurance in Serbia. In all considered general systems, specific provisions are in place for the group of the farmers.

Serbia

In Serbia, the pensions insurance (covering old age, survivorship and invalidity) for farmers is run separately from the other professional groups of wage-earners and self-employed people, although the fund is to a large extent subsidised by the state budget. The Republican Fund for Pension and Invalidity Insurance of Farmers is responsible for the implementation and the administration of the pension insurance for farmers. It is self-governed by the representatives of insured persons (farmers associations) and beneficiaries (pensioners organizations). Next to this, farmers are taking part in the general social security system but do not enjoy all benefits from this system. Unemployment insurance is compulsory for employed and self-employed persons, yet

farmers are not covered by this scheme. Farmers, as well as other persons who are not insured for the case of unemployment can enter this insurance on voluntary basis. Employed and self-employed persons are entitled to cash benefit (wage or earning compensation for temporary incapacity for work) if they are temporary incapacitated for work due to sickness, work injury, professional disease, medical examination, tissue and organ donating, pregnancy, maternity leave, escorting another sick person or staying with that person in hospital and nursing an immediate family member. Farmers however are not entitled to this benefit. Reimbursement of funeral expenses from the health insurance scheme is prescribed alone for employed persons, persons receiving unemployment cash benefits, pensioners as well as family members of these groups. Self-employed people and farmers are thus excluded from this right within health insurance scheme. Furthermore farmers are not covered for the contingency of professional diseases. For the granting of child benefits on the other hand, another (and more favourable) income test (higher monthly income per member of family) is being applied for farmer families. With regard to the financing, farmers contribute on the basis of their taxable income from agricultural activity. It has been reported that the contribution collection (a responsibility of the tax office) is not always carried out adequately. The pension scheme is facing a very unfavourable dependency ration and consequently the pension fund is kept financially sound through rather largely assigned state subsidies (from the central government budget). The pension arrears (farmers having to wait 23 months on their pension) are reported to have been solved by now.

Macedonia

In Macedonia, farmers are being treated in different ways with regard to the financing of the social security schemes (i.e. minimum income level). In principle, the basis for contribution shall not be lower than 65% of the average net salary of the employees in the Republic of Macedonia, published for the current month. This rule is not being applied for the individual farmers. Individual farmers are being allocated for the social insurance on a specific basis: i.e. according to the amount of the cadastre revenue. In relation to the benefits side, it should be mentioned that (self-employed) farmers are not covered for the contingency of unemployment nor do they pay in for the second pillar pension scheme (capitalised part).

Albania

In Albania specific financing rules are applied to the farmers. Farmers are obliged to pay social insurance contributions based on the criteria established by the Council of Minister's Decision. The amount of the contribution to be paid varies from region to region (higher rates in case of regions that are mainly constituted of fertile grounds). With regard to the benefit schemes, it should be mentioned that farmers like the other self-employed groups are not covered for sickness, unemployment, labour accidents and professional diseases.

2.2. The structure of the farmers' social security in European systems

2.2.1. General typology

Social security for the farmers can be structured in the following way. One can distinguish between general or universal systems in which farmers are being incorporated and separate categorical schemes for farmers alone. In the first type of systems (general/universal systems) a subdivision is possible when farmers are incorporated in a general system for self-employed people, or, when they are incorporated in a more general system for all (working) people. Some additional explication is necessary.

2.2.2. Farmers incorporated in general systems

1. In a universal or general social security system, a basic social protection is organised in the same system for all working groups of the population or even for the whole population. Examples are Denmark, Finland, Sweden, Great Britain, Ireland, the Netherlands, Luxembourg, Czech Republic, Slovak Republic, Hungary, Slovenia, Lithuania, Latvia, Estonia, Bulgaria, Romania and Portugal. The general system does not distinguish structurally or in terms of organisation between the different professional groups or groups of the population. The system provides, regardless of

the group that is insured, an equal basic cover, the same administrative structure and a uniform financial scheme.

The Dutch, Danish, Estonian, Finnish and Swedish basic social security schemes have been ranged into a universal system. The distinction between workers is of little or minor importance because the social security benefits are not linked to labour in the first place. On top of the basic insurance or the universal system, professional schemes are in force. Here, the differences between the professional groups appear again. In Finland this has led to a proper professional scheme for farmers (MELA), providing additional coverage to the universal scheme.

The other systems have mainly a general workers system in place in which, at least in principle, no distinction is being made between the several professional groups. However, this does not preclude the fact that specific application rules may be designed for the group of the farmers.

2. Farmers can also take part in a general system for the self-employed, where all professional categories of self-employed people are compiled into one social security system. The system has its own administrative structure with representatives of the associations of the self-employed and of the government. The system collects and manages itself the financial means. As far as the social security cover and the financing is concerned, the system does not distinguish according to professional groups of self-employed people. Such a system can be found in Belgium.

2.2.3. Farmer systems

Some other countries organised their social security around given professional groups (most of the time self-employed professions). This is then called the categorical system approach; in this kind of approach farmers often constitute a group for which a categorical “farmers” system is in place. Such kind of systems can be found in Germany (*farmers*, liberal professions, artists and writers), France (*farmers*, craftsmen, trade and industry, lawyers and other liberal professions), Italy (*farmers*, traders, craftsmen, and free professionals), Austria (*farmers*, traders, free

professionals, notaries, remaining self-employed), Spain (*farmers*, self-employed, seamen) Poland (only farmers as a separate categorical group) and Greece (next to the farmers most important ones: tradesmen, craftsmen, lawyers, engineers, ...).

In Germany, the farmers and the liberal professions have organised their own pension schemes; artists and writers have been placed under the system for workers, as far as their health insurance and pension insurance is concerned, albeit with the necessary adaptations. Craftsmen and farmers have also been placed under the general system of health insurance, although the farmers have retained their own governing bodies.

In France and Spain the self-employed farmers have created a separate social security system together with the workers of the farming industry, which cover all major contingencies.

In Greece the farmers' system (OGA) is covering next to the self-employed agricultural workers all persons living in rural areas. If e.g. a craftsman works in a village of less than a defined minimum amount of inhabitants, he does not join the own system, but the system for farmers (*OGA*).

In Italy, some groups of self-employed people (among which the farmers) join the general system for workers for certain risks, while still retaining their own administrative governing bodies.

The Austrian social security can also be described as a compilation of categorical systems. The cover that is provided, differs between the systems. Farmers have created their own independent system.

Poland designed in the beginning of the 1990s a separate categorical system for the (self-employed) farmers (administrated by "KRUS") that is structurally separated from the general system in place for the (other) professionally active persons (employees and self-employed persons engaged in non-agricultural business activities).

2.2.4. The relativity of the distinction

The distinction that has been made between the systems should be put into perspective when we take a closer look at the contents of the systems. The existence of separate categorial systems for farmers does not preclude that one joins a more general system for certain social security benefits. For example, German farmers are insured for work incapacity in the general system for workers, while retaining their own governing bodies. France on the other side has a general health insurance for all self-employed people, with the exception of the farmers, who have their own system together with the wage earners of the farming industry; for family benefits however the farmers share the same scheme with the other workers (wage-earners and self-employed). Italy in its turn has put the farmers (together with the traders and craftsmen) under the general system of the workers, although separate administrative governing bodies have been retained within the *INPS*.

Next to all this, one should take into account that categorial systems for farmers often develop towards the more general systems (for workers) as far as their contents are concerned. For example, the French basic pensions for farmers are calculated and paid in the same way as those for workers. In Greece, the IKA-pension scheme (i.e. the general system for employees) serves as a model for the reform of the different categorial schemes, including the one of the farmers. In Spain at last, farmers enjoy in their separate categorial systems a scheme for accidents at work that strongly corresponds to the scheme within the general system for workers.

On the other hand, general social security systems, in which farmers take part, will often make special arrangements for the group of the farmers. These adaptations can mostly be found for the short-term income replacement benefits and the financing regulations. Sometimes, this development can go so far that the specific treatment of the (self-employed) farmer is more prominent within the general social security system than within a categorial system of which the contents are developing closely towards the general system for the workers. Self-employed British farmers receive only a basic allowance in case of work incapacity, although they share the same system with the other workers. Latvia, Hungary and Bulgaria excluded e.g. the self-employed groups (and thus also farmers) from the unemployment scheme, although

they belong structurally to the general social insurance of workers. The unemployment scheme can be accessed on a voluntary basis for self-employed farmers in countries as Slovenia and Romania (whereas earlier on this insurance was compulsory for all working populations).

In countries as Latvia, Lithuania, Estonia, Slovak Republic, Czech Republic and Bulgaria self-employed farmers are being excluded from the employment injuries and occupational diseases scheme or at least from the preferential rules that are in place in case the work incapacity is finding its origins in labour. To the (general) sickness scheme, self-employed farmers only have access on a voluntary basis in Bulgaria and Lithuania.

Furthermore, German farmers, who fall under the sickness scheme for workers for their short term work incapacity, do not receive financial benefits, but they are entitled to domestic help or business help; apparently a better ‘compensation’ for the ‘loss of income’.

2.2.5. Basic protection or income protection?

Although a bit generalising statement, most of the social security systems covering farmers in Europe, do have as the objective to guarantee the farmers’ standard of living when they are hit by a social risk. This can be done by a traditional professional social insurance in which the benefits are related to the previously earned income¹⁰ (e.g. in France, Belgium, Germany, Spain, Portugal, Italy, Greece, Slovenia, the Slovak Republic, the Czech republic, Austria, Hungary, Lithuania, Latvia); or through the combination of the guarantee of a basic benefit (covering e.g. all residents or all professionally active persons), which is then being supplemented by an income related part; as e.g. in Finland, the Scandinavian countries, and to a lesser extent the Netherlands, UK and Ireland (where the main focus is upon the granting of a fixed benefit).

In other words, the main objective of the system is not focusing upon poverty alleviation but more upon the guarantee of previously earned income and/or living

¹⁰ Variations can e found with regard to the type of the risks: e.g. sickness is often covered through basic benefits, whereas for the contingencies of old age, survivorship and invalidity one often work with income related benefits. More about this later in the description of the different social risks.

standards. The backing philosophy is that people, suffering a risk, are most efficiently kept out from poverty when decent protection is provided that guarantees the previous living standards. Providing only basic benefits, the level of which runs closely to minimum subsistence, is a policy that risks at the end of the day to push people into poverty.

Another typical issue in the European farmers' systems is the strong presence of statutory schemes; in other words the contingencies are not often covered on the basis of private insurances. It may be true that often private actors are present in the social security system, yet this does not grant the insurance a private character. E.g. some labour accident schemes for farmers are run by private (pro-profit) companies, yet they only administer a statutory regulated scheme in which contribution and benefit levels are set by legislation. Another example is the growing presence of private funds (banks, insurance companies or pension funds as such) which run a part of the pension scheme, especially the second or third tier which is constituted on the basis of capitalisation. In some countries, such as e.g. France, Sweden, Hungary, farmers are compelled to take out such capitalised tier with a private provider. Although some of these schemes might be labelled as "private" schemes, we are only talking about minor parts in the eventual coverage.

Another field where private insurances sometimes come to top up statutory schemes, are to be found in the field of sickness benefits. For reasons due to the specific nature of self-employed people, this contingency is difficult to organise for farmers. No protection is granted, only a limited protection or an adapted protection is guaranteed; hence farmers sometimes take out private insurances giving additional protection in case of sickness, maternity or labour accidents (see as well further on when describing these risks).

Yet overall the protection of farmers in Europe through private schemes remains rather of a limited nature.

2.2.6. Minimum thresholds of professional activity and protection of small land tenants

One of the challenging issues is to discern small land users from professional economic farmers. From which moment, a person is pursuing a professional activity and when is he simply cultivating his lands for a mere personal use? On the basis of previously conducted research¹¹ it became already apparent that farmers face persistent low income when they work on small plots of land. As a consequence low income farmers seek often to compensate low agriculture incomes through the take up of non agricultural activities (some of them to be located in the hidden economy). An extreme case is e.g. that of Poland where more than 50% of the farms are below 5 ha (i.e. the criterion often used to differentiate small land users from economic agricultural activities). This kind of land structure is known for deterring development possibilities. The small plots of land which constitute an important part of the Polish agricultural structure do not produce enough resources to justify e.g. increased mechanisation.

Countries with a high number of small land tenants face quite some problems when they want to organise social security for this group. Key question is in what way one should include these persons in the social security system? Should we consider them to be genuine professionally active farmers? If so the bottom line of reasoning should be that, in case their small farming is the sole activity they have, they should be able to earn a living on the basis of their farming activities. Consequently they should pay in a same amount the contributions as other professionally active persons (wage-earners, self-employed, economic farmers, etc..) do. In practice however, some states do not want to go that far and grant these farmers a “favourable” position; the latter can refer e.g. to some rebates given to them in the field of financing. Concretely a fixed but low contribution basis is being applied for the group of farmers, or even, specifically for the small land tenants; this policy can also find a translation in lower contribution percentages, or even granting an exemption to pay for farmers with a low income (i.e. small land tenants). When at the same time minimum benefits are guaranteed to this group of persons (i.e. of a level higher than the income on the basis of which contributions have been paid in the past), this policy is not favourable to the farmers’ schemes specifically, and to the social security system in general. By keeping small land tenants in the system through e.g. the use of restricted contribution

¹¹ See MUTUALITÉ SOCIALE AGRICOLE, *Farmers’ old age social insurance in Europe: Determinants, Analysis and Recommendations for South East Asian Countries*, 2001, Paris, 3.

levels, as e.g. we can see in the Polish farmers' insurance, the mere existence of the system is at stake. This is especially true when other negative tendencies, such as a worsening demographic situation, come to amplify the weak financial sustainability of the system. At the end the democratic legitimacy is at stake: politically it becomes very difficult to explain to other parts of the population why the system of one group of persons, is to be subventioned heavily.

Introducing thresholds of minimum activity

Some states intentionally exclude small farming activities from the scope of social insurance, and this by imposing clearly a minimum activity. As the income assessment of the farmers is sometimes difficult to be made, countries do relate the minimum threshold to the size of the farm (minimum plot of land, minimum number of cattle, etc...). In other words, to be considered as a farmer, one should cultivate at least a minimum of agricultural resources. People not fulfilling these criteria cannot be considered to be a professional farmer; it is on the basis of another status (e.g. as wage earner, pensioner, ...) that they may have access to the social security system, possibly taking into account the incomes from their small farming activities for the purposes of the calculation of the contributions. When dealing later with the personal scope, more detailed and concrete examples will be provided of how such condition of a minimum activity can be organised concretely. Let us however be clear: the imposed minimum activity does say nothing about the real earned income of the farmer. It is only a starting assumption that on the basis of this minimum activity the farmer can potentially earn his/her living. Whether he does so in reality is another issue: it is possible that due to circumstances (bad management, bad weather, etc;) the farmer is making losses in reality. The question will then be to what extent one does take into account this particular situation, for the financing of social security: should we give the farmer for the period during which he is facing financial problems, a specific treatment, by e.g. exempting or postponing the payment duties? This has to do with the organisation of the financing of the system, and more concretely with regard to the policy to be followed when dealing with farmers facing temporarily

problems. It is evident that such an issue is of a fundamental different nature from the one dealing with farmers who structurally will never be able to earn a living from their agricultural properties.

Another option, as being applied by some states, is to work with a minimum contribution which every active person should be able to pay to the system. This minimum contribution in its turn is calculated on a minimum income which should allow professional active people to live their life. For wage-earners this can e.g. be the minimum wage guaranteed in labour legislation; for self-employed people and farmers this can be a revenue of similar level (or at least a revenue of the level of the minimum subsistence) as being stipulated in social security legislation.

When applying this system strictly, persons cultivating small plots will not survive as economic actors, as at the end of the day they may not be able to pay the necessary minimum contributions.

Of course it will be easier to introduce such rigid systems keeping out small land tenants from social insurance, when their number is rather restricted. However, countries facing a high number of people who only have a small plot of land on the basis of which they earn their (official) living, as we e.g. come across in the Balkan region, will find it much more difficult to ban these families from the social insurances system. How then are such countries dealing with this problem? First the Lithuanian case will be presented – where an ad hoc protection of limited nature was introduced for small land tenants -, followed by some model provisions which have been developed for the South-Caucasian countries, a region knowing also a lot of families who among other things survive on the basis of small agricultural activities, complemented with all kinds of other income resources.

A mini-protection for small land tenants?

As already mentioned, Lithuania decided to work with a kind of in between option regarding their small land tenants, not excluding them fully from the social insurance system, but neither providing them with a full social security cover. In Lithuania small land tenants with a low income are also considered to be professionally active persons, but with a restricted resources. Consequently, compared to the other self-employed (farmers) they are only entitled to a reduced coverage (a smaller number of

social risks covered, and only the guarantee of a basic coverage). One differentiates between two types of farmers, each of them having thus a different social protection: “farmers and members of the farmer’s family working at the farm”, and “small land users and their adult family members”.

Farmers are normally considered to be those persons who pursue economic activities in an independent and regular way. These kinds of activities are being “formalised” in the sense that farmers are registered for tax purposes (as self-employed persons). If the income out of agricultural activities is not of the kind to become tax registered, one cannot be considered to be farmer. In such a case one is a small land tenant who contrary to the self-employed farmer is not fully insured. Small land tenants are only (partially) protected for a pension and for the health care risk (when they are not covered on the basis of another position). With regard to the pension scheme they are only covered for the basic pension and not for the supplementary income related part. As a consequence they pay a smaller amount of contributions. Although trying to solution somewhat the problem of the social protection of small land users, the system faces quite some difficulties. The contributions raised by this group are still too little to cover the expenses of the minimum pensions and health care coverage; the basic coverage is on the side of the small land tenants felt as to be insufficient. Furthermore, due to the fact that the income assessment is not easily to be managed (what is the income of the farmer?) some self-employed farmers try to reconvert themselves in small land tenants to reduce the (contribution) costs and to be kept out of the formal registration procedure. Or related to this practice, some persons are officially small land tenants but do have quite some not reported side-activities in the country or abroad (informal work). At the end the system seems not to be successful and it is even considered to do away with the separate protection of this group of small land tenants.

Starting from the assumption that small land tenants have sufficient resources to live upon: the model provisions developed for the South Caucasian region

As mentioned earlier it is not an easy task to deal with small land tenants in social insurance systems, in case a country is facing a tremendous high number of persons

who survive (partially) on the benefits of small land plots; this is especially true when these farmers and their families have the agricultural resources of these small land plots as only income source. In a way the country is put for a dilemma: leaving these people out of the system as they do not have enough income to become socially insured; or having them introduced into the system with the potential risk of bringing the sustainability of the same system at peril. Very often the problem is being amplified by the fact that the country does not have a correct view on the real income resources of these families. At the end those small land tenants can be composed in very different ways, as far as their income structure is concerned. In practice they are a mixture of families falling under the common denominator “small land owner” of whom the professional status is not exactly known. Some try to survive on their small agricultural production, but others combine the “farming” with activities in the hidden economy and/or work being performed abroad. In some cases the small land tenant family is composed of a multitude of family members, of whom some work on the land, other work in the hidden economy, other work abroad (in a legal or illegal status), or combinations of the said activities are being found back. Next to a variety of activity, there may be a mixture of income levels: some families do have rather generous incomes whereas others live in (extreme) poverty. As such this is not a problem anymore of farming in the strict sense but of persons/families of whom the income and/or resources from economic activities are not known very well. The picture gets thus somewhat blurred due to the more general problem related to the hidden economy. Small land tenants in that way join the broader group of persons who formally do not have a gainful occupation but who manage to raise income in one or the other way, of a level high enough to live one’s life. Often their income resources boil down to hidden activities in the country but also even abroad (black labour e.g. but it can also deal with the conduct of criminal activities). The issue of the relation between the hidden economy and social protection goes definitely beyond our project here and again we should make reference to the other regional project carried out by colleague Pieters (Bringing black and grey work at the surface). Nevertheless I will make a short reference to some other document, jointly developed by colleague Pieters and myself, in which a society facing a large amount of inhabitants who are active in the black/grey economy was taken as a premise when developing an appropriate social security system. More specifically it deals about model provisions in the field of social protection that have been developed for the

South-Caucasian region (i.e. for Armenia, Azerbaijan and Georgia¹²). Although the social security situation in the Balkan is somewhat different from the South-Caucasian region, there are some striking similarities. Here as well the countries faced a situation where a larger part of the population was not formally employed (nor self-employed) but managed in one or the other to earn their living. Farming (and especially “small” farming activities) was definitely one way of raising income, but the variety of resources generating income was much more ample. Compared to the Balkan region the case was even more extreme as income generated from regular full-time employment was becoming rather an atypical situation. Furthermore the family (in the large sense) played a very important role in the income redistribution at a “micro-level”. Families were often composed of several members; quite some varieties in professional situations were present among the family members (formal work, free-lance work, work in hidden economy, work with not fully declared income, some members living on a benefit, some members working formally or informally abroad, etc). Key-question at stake was how to design a social security system from a starting position in which regular full-time employment with full declared income was rather the exception than the rule? To address this problematic issue the authors of the model provisions started from a vice-versa approach in which it was assumed that in principle families manage to earn their living, and thus as a principle should pay in as family unit¹³ a contribution to the social security system, which is calculated on the basis of a minimum income (a minimum subsistence level to be calculated by the government). The amount of the minimum contribution was put into relation to the composition of the family¹⁴. It goes without saying that the exact registration of the family units is a crucial sine qua non condition for developing

¹² D. PIETERS and P. SCHOUKENS, Model provisions in the field of social security for the South-Caucasian region, Council of Europe, Strasbourg 2001.

¹³ In the model provisions the concept “household” was used, being defined in section 1.2.4. as: “The term “household” will further in this code be understood as meaning the person or the group of persons sharing a major part of incomes and/or expenses. Each person belongs to one and only one household. Further registration shall be made of the composition of the households”.

¹⁴ See under 1.2.3. in the Model provisions:

“Parliament establishes a basket of goods and services , which can be considered representing what is necessary for the members of one household for living a life in accordance with human dignity. The Government fixes every year the amounts of money corresponding to the cost of this basket of goods and services; it publishes the figures as the relevant ‘poverty lines’ of the next year.

The poverty line is differentiated according to the number of adults and the number of children composing the household; and possibly according to their age”.

such a system. To make the system attractive to declared work and more precisely in order to unveil possible hidden work, a member of the household taking up a job, could have (a part of) his workers' contributions deducted from the family contribution already paid into the system¹⁵. Families who were not able to pay in the contributions should be supported by social assistance; the support was of a kind to make the payment into the social insurance system possible.

It is not the place here to develop further these model provisions in this document, as they go somewhat beyond the social protection of farmers. For further reading, reference can be made to both the document and the project carried out by colleague *Pieters* with regard to the relation between black labour and social protection.

Coming back to our main line of reasoning, it should be made clear that the restriction of the farmers' schemes to economic farmers (by introducing a minimum activity threshold) will not resolve the problems related to small land tenants, especially not when they are quite numerous in the country. Restricting the farmers' system to economic farmers will only guarantee that the system can function in an appropriate and sustainable way, i.e. by taking into account the specific needs of farming. Yet the exercise should go beyond this; at the same time it should be looked at how small land tenants can be socially protected as well. Here I am afraid to say that the European Union does not have "best practices" in place as, either the problem does not occur in the member states, or the solutions applied in countries where we find examples of small farming activities are in my opinion not to be followed (i.e. the Polish example which has put the sustainability of the whole farmers' system at stake by accepting the small land tenants in the system, and the Lithuanian example with the not very successful introduction of a mini-insurance for small land tenants). The model provisions once developed for the South-Caucasian region, facing even more these kinds of problems, could be of inspiration here. Yet this will mean that the full social

¹⁵ See in section 1.3.2.2. of the Model provisions:

"The employed person's part is however reduced with the amount of the general contribution paid over the same period. The employer will have to submit the proof of payment of the general contribution by the worker in order to deduct the corresponding amount from the social contribution liability.

The social contribution paid by the self-employed person is reduced with half the amount of the general contribution paid over the same period. The self-employed person will have to submit the proof of payment of the general contribution in order to deduct the amount from his social contribution liability".

security system will have to be reconsidered. Such kind of restructuring the system should not be conceived as a special scheme for small land tenants alone; it should be rather seen as an application of a general rule in social insurance that all persons in the age bracket between 18 and pension age, are supposed to be working and/or are assumed to earn an income in one way or another. This rule could be adapted to the specific living situations in the rural areas where families, living on small land plots, pool their incomes.

2.3. Some conclusions

Summarising the previous chapters, the basic logic in the system should be: if we want to cover the professional activity of farming through a social insurance, there should be a critical mass of minimum activity available enabling the farmer to earn his/her living. This has consequences for the financing and the benefit payment: benefits can only be of a certain level if the system is financed decently enough by the participants themselves: a minimum contribution is to be paid. Preferably a required minimum size of the farm (and hence minimum income to be expected from this size) is to be applied. This means that the countries will need to have a clear picture of what kinds of farming activities are being performed on the territory; per farming activity parameters should be developed which can indicate the minimum size required for professional farming; such parameters translating the farm assets into “income” can also be useful for the financing of the system (and more exactly for the control over the declared income by the farmer). More about the relation between these parameters and financing can be found below under the section dealing with financing. As long as such parameters are not being established, one should at least introduce a minimum income basis which is assumed to be earned by the farmer and on the basis of which contributions are to be paid.

For persons falling under the critical minimum size (the small land tenants), a clear policy has to be followed as well. Simply putting them outside the scope of any social protection isn't an option, as many of them risk then to overburden the social assistance system at the end of the day. Creating in-between systems providing some

limited coverage for small land tenants is not an option to be followed; in case the country is facing many small land tenants, and more in general a high number of persons who are not having a professional status, more far-reaching measures are to be taken. A system covering all persons from the assumption that every person/family is able to earn his living and is thus supposed to contribute at least on the minimum subsistence level, could be considered; concretely it can be looked at to what extent the Model Provisions in the field of Social Security, developed for the Council of Europe, could be of a concrete use here.

3.The personal scope

3.1. Defining the personal scope in the social security systems of Albania, Macedonia and Serbia

Albania

In Albania all self-employed persons (including the farmers) are covered by the compulsory social insurance, covering loss of income due to maternity, work incapacity, old-age, and survivorship. With regard to self-employed people active in agriculture and unpaid family workers of self-employed (farmers), the Council of Ministers may decide on deviating measures, which may broaden the scope of protection (e.g. for not covered risks) but as well may exempt these groups from the actual personal scope.

Furthermore all economically active persons are covered by the health insurance, that means employed persons, self-employed people in urban and rural areas (and thus including the farmers), unpaid family workers (i.e. a family member up to 16 years old, living and working with the self-employed person and who has no other employment or professional activity), and other persons otherwise gainfully active or

with regular income from property as defined by decision of the Council of Ministers. For non-active persons, such as children, pupils and students who do not work, pensioners receiving an old age pension, people on incapacity of work benefit or receiving a maternity benefit, unemployed persons, citizens doing military service, and persons treated by social assistance, the state pays a contribution (subsidy); hence these categories are as well covered for health. Social assistance is targeting families in need, orphans who are unemployed and older than 25 years, and who are not living in a residential institution or under protection, and disabled persons.

Children up to 25 years old, elderly people, disabled persons and other persons in need may be covered by social services.

To sum up, in Albania farmers are incorporated in the general social insurance and assistance schemes. With regard to the professional insurance they are considered to be self-employed persons; special rules are in place for the helping family members of self-employed (farmers).

Finally it can be mentioned that the family structure in the rural areas is predominantly composed in the following way: most families consist of two parents and have three or more children in average. There are about 138,473 households living in the rural areas. The average age of the head of the family is 49.1 years old. Nearly 70% of the rural families own agricultural land (in average 8300 square meters per family). Many of these families, and especially the ones owning a small land plot, do earn also other incomes coming from the employment in the other sectors of the economy, work in foreign countries (emigration) and finally social benefits like pension, social assistance in cash, etc

Serbia

The Serbian system is to a large extent Bismarckian inspired. The personal scope covers all professionally active people and their dependants. All professionally active persons (employed, self-employed and farmers) are compulsory insured within the systems of social insurance: pension and invalidity insurance, health insurance and unemployment insurance. With regard to the health insurance some persons are assimilated with active persons: dependent persons, person entitled to a social security benefit, etc. Persons who are not professionally (economically) active and thus

uninsured can join the pension insurance on a voluntary basis within Republican Fund for Pension and Invalidity Insurance of Employed.

While on the one hand the social insurance system covers all professionally active persons regardless of their citizenship or residence, social assistance, on the other hand, is provided to the persons who have residence in Republic of Serbia and citizenship (nationality) of Serbia.

Employed persons are defined as persons working, according to the contract of employment, for an employer. Self-employed are defined as persons who are performing a self-employing economic or other activity (artistic, cultural, medical, legal etc.), owners of enterprises, entrepreneurs, persons who are performing work according to an authors' contract and other contracts (except contract of employment), priests and persons who stopped with self-employing activity and are receiving unemployment cash benefit. Farmers are defined as persons who are performing agricultural activity (farmers, farmers' household members) providing that they are not employed, self-employed, pensioners or at school or at university. In a farmer household at least one person is compulsory insured within the pension and invalidity insurance scheme. Other family members (working as farmers) can be voluntarily insured within the same scheme. A farmer's household, in the context of this scheme, is "a union of persons living, earning and spending income together generated by the household members, irrespective of their relations. The incumbent of a farmer's household, i.e. at least one member of a farmer's household, in the context of this Law, is covered by mandatory insurance, while other household members may be insured under the terms and conditions provided for in this Law." The family members who did not enter the insurance scheme are considered for the application of the health insurance as depending family members and are thus co-insured.

Compulsory health insurance is prescribed for all economically active persons but covers as well pensioners and persons receiving unemployment cash benefit. Within this scheme are also insured family members of the mentioned categories who are not insured on an other basis (on their own right).

Unemployment insurance is compulsory for employed and self-employed person. Farmers are not covered by this scheme of insurance and thus not entitled to benefits. Farmers, as well as other persons who are not insured for the case of unemployment can enter this insurance on voluntary basis.

As to the status of insurance: employees receive the status of insurance from the first day of employment till the employment ends. For self-employed people and farmers the status of an insured person (in order to be entitled to a benefit) shall be determined on the basis of the insurance application till the notice has been given of termination of insurance in accordance with the procedure as being formulated by law. For justified reasons (natural disasters, illness and maternity leave) and in the course of the insurance span, the status of an insured farmer may be suspended for a period not exceeding 5 years (under condition we are not dealing with 5 consecutive years).

For the application of the mandatory pension insurance, an order of insurance has been introduced. In the first place one can be insured as employee, then as self-employed and finally as farmer. This order for one certain insurance period is meant for the calculation of the benefits. Therefore, if a person qualifies for the insurance on more than one account, the insurance basis is determined in such a way that the existence of an insurance basis under the previous clause excludes the insurance basis from the next clause. However with regard to the financing, these persons are still obliged to pay contributions on all accounts (up to a prescribed limit).

According to the most recent data available to the Fund (2005), a total of 353,374 persons were registered as insured farmers. The total number of beneficiaries in the Farmers Fund is amounting to 234,061 (January 2006), with the largest share of pensioners (224,432). They are followed by beneficiaries to a carer's benefit and beneficiaries to the compensation benefit for bodily injuries, which make up the smaller share. The total number of beneficiaries of the mentioned benefits is 9,876. In addition, the benefits to elderly households are also paid from this Fund (around 260 beneficiaries)¹⁶.

¹⁶ Elderly households include households which transferred the ownership of agricultural land into state ownership, apart from 0.5 acres of curtilage, whose members were engaged in agriculture as their only activity and have not disposed of their land after 1.5.1975. In addition, the age requirement for them

The ratio between the number of insured persons and beneficiaries was extremely high at the beginning of the introduction of the pension insurance for farmers. The number of beneficiaries however rose exceptionally, until it reached the level of about 213,000 in 2001. Since that time it has been increasing at a lower rate. On the other hand, until 1995 the number of insured persons approximated 630,000 and has been in decline ever since. As already mentioned, according to the latest data, 353,374 persons are covered by the insurance. The insured/beneficiary ratio is also constantly deteriorating - in 2005 it was 1.6, which means that there were 1.6 insured persons per one pensioner.

Old age pensioners make up the dominant share among pension beneficiaries – 189,436 (84.4%), followed by survivors' pensions – 22,827 (10.2%), while disability pensioners are the smallest percentage – 11,922 (5.4%). That there is such a large share of old age pensioners can be explained by the fact that pensions are granted under rather favourable conditions: when the new pension insurance was introduced at the end of the 1980s farmers, who were on that very moment socially insured, were granted a certain number of insurance years (i.e. the minimum number required to open entitlement) Those farmers were assumed to have fulfilled the minimum insurance record (15 years of insurance period - the so called "solidarity pensionable period") guaranteeing them at least the minimum old age pension. On the other hand, that fact that a large number of old age pensioners exercised their right by meeting only the minimum requirements regarding the length of insurance period resulted in the lower average pension in this Fund.

Macedonia

According to the Law on health insurance, the compulsory obligatory health insurance is covering in Macedonia: the professionally active persons (employed persons, self-

was 60 (women), or 65 (men), or, when not having reached that age in case one of the household member was a war veteran from World War before 9.9.1943, or when they were having at their charge younger members who were totally unable to work or who pursued regular schooling until 26 years of age or in case the farmers themselves were totally unable to work and having the age of 55 (women), or 60 (men).

employed and farmers), as well as some assimilated groups, of which the most important ones: persons that are elected or appointed in public functions, persons receiving a pension, temporary unemployed persons that are receiving an unemployment benefit, as well as unemployed persons that are registering themselves at the Agency for unemployment; social assistance beneficiaries, people accommodated in social institutions, citizens of the Republic of Macedonia working abroad in case they are not insured in the specific foreign country where they are staying and working, and family members (spouse and children) of these insured persons. In case a person may not be covered in the personal scope, he may fall back upon the voluntary health insurance.

In Macedonia following persons are covered in the pension and invalidity insurance scheme: employees in the public and private sector; persons employed in the Army, persons elected or appointed on a public function, physical persons conducting a self-employed activity, farmers, non-employed persons that are receiving an unemployment benefit, independent artists in case they have received this kind of status in accordance with the criteria determined by the Ministry of culture, sportsmen that have a status of a top sporter, in case they are not insured under any other condition. The survivorship pension is granted to a family member (spouse, children or parents) of the deceased insured person.

Unemployment benefit is restricted to persons who have been employed at least 9 months (continuously) or 12 months (with interruptions) in the last 18 months. Self-employed and farmers are not covered by this insurance.

The entitlement to social help services and benefits depends on nationality and residence. The beneficiaries are citizens of the Republic of Macedonia and foreigners with residence permit.

3.2. Defining the personal scope in European social security systems incorporating farmers

3.2.1. Need for differentiation?

In case of a categorical system for farmers, a definition is always to be provided of the professional group of farmers. One could assume that a general social security scheme would not pose any problems regarding the distinction between professional categories within its personal scope. The system applies to all residents or to all those practising a professional activity, regardless of the nature of that professional activity. However, this starting point should be put into perspective. General systems have to differentiate as well between the professional groups for the application of certain schemes. As soon as one makes in the general system different rules for professional groups, one should be able to discern those groups from each other. Besides the traditional distinction made between wage earners and self-employed people, separate regulations are often made for farmers; hence you will have to know in a general social security system as well who the farmer is at the end of the day.

As mentioned earlier we restrict ourselves to the group of self-employed farmers. Two elements are of importance here: the farmer is a self-employed person and thus to be differentiated from the wage-earner who works in a subordinated relationship. But within the group of all self-employed people, farmers may have to be distinguished as well from other independent workers, as specific rules (or even a specific system) may be applicable upon them. Here the delineation of the agricultural activity will gain importance. In case specific rules are deployed for the various agricultural professions (e.g. fishermen, people cultivating land, people deploying animal husbandry) one should even be able to delineate further these groups the one from the other. To this possible distinction between farmers' groups, some more attention will be given further.

3.2.2. The farmer as self-employed person: how does one make the difference with wage earners?

In practice, many problems of delimitation arise from the negative way of defining self-employment. As we already mentioned, a self-employed person is usually considered as professionally active without being a worker or a civil servant (negative description). This kind of definition has consequences for the delimitation of the

personal scope of application of the social security systems for the self-employed. In many states, the system for the self-employed will attract the people who do not exactly meet the criteria of the other social security systems in use (it is thus a residual/professional category). Self-employed are persons who are working, but not in the position of a civil servant (as they are not nominated by the state) nor in the position of an employees. The latter (not being employee) means that they are not bound by an employee contract. This again is being explained by the fact that they are not working in a “subordinate relationship”. One of the most important criteria to distinguish between workers and self-employed people is indeed the legal (or personal) bond of subordination. This criterion, which finds its origin in labour law, is used in all European states.

Only the weight that is given to it differs according to the type of social security system. For example, systems that are closely related to the tax system – for example universal social security systems financed mainly by taxes or people’s insurances where the collection of the contributions is left largely to the tax services – will take into account tax criteria in the first place to determine the social security position of the person concerned. Those systems will check whether a person runs a business with a profit motive, deducts operating costs, has a VAT-number, reserves gains for investment purposes, exercises his economic activities in a fixed structure. This is not illogical, since in this case the tax services have the competence to collect the necessary means (taxes or contributions). When this criterion is not sufficiently clear, one will check the position in terms of labour law in the second place. Here, it is checked concretely whether there is a bond of subordination between the executor and the commissioner.

Professional social security systems switch more quickly to the criteria from labour law in case of doubt. The immediate relation between social security and labour law is stronger here. It is checked whether there exists an employment contract between the parties involved; concretely, one searches if there is, next to the worker’s obligation to render services and the employer’s obligation to pay wages, a bond of subordination. Such is the case when the commissioner (the employer) has authority and supervision over the person executing the activities.

However, the criterion of the bond of subordination turned out to be too limited to be able to distinguish between the professional categories in all the countries that were examined. Workers (mainly highly qualified ones) enjoy more and more freedom when practising their profession and self-employed people start having a much more (economically) subordinated relation to their commissioner. The twilight zone between self-employment and employment is gradually being filled with professional activities with characteristics from both traditional professional categories. In order to address this development, all countries have started developing new criteria to refine the criterion of the bond of subordination from labour law. In doing so, they try to be more in keeping with the (economic) reality. Now the following elements are also being considered:

- What is the economic dependency between both persons?
- What is the level of integration in the professional activities of the commissioner?
- Where lies the ultimate (economic) risk when there is a failure in the economic activity?

The way in which the Member –States of the EU use this set of criteria differs. Firstly, there are countries (e.g. Spain and the United Kingdom) where the position of the person involved is considered against a set of (legal and economic) criteria. In other words, it is checked whether one works for someone else’s account. Other countries (Greece and Germany) stick to the criterion of legal subordination, which has been refined by the integration of new criteria¹⁷ (e.g. considering the level of integration in the business of the commissioner, considering which party bears the economic risk, etc.). Lastly, in some countries, case law sticks closely to the criterion of legal subordination. There however, the legislator has placed certain professional categories under the general system for workers, because it is assumed that these categories are in a weaker position towards their commissioners (see e.g. Belgium and France).

¹⁷ In case of Germany, see for instance the applied criteria in order to distinguish the genuine self-employed people from the so-called ‘phantom’ independent workers’ (*Scheinselbständigen*). The additional criteria look at the number of clients of the self-employed, the number of people who are employed by the self-employed business, the way of incorporation in the business activities of the commissioner and to what extent one behaves as a ‘real’ self-employed person. In case the worker is considered as a phantom self-employed person, he is made subject to the general social security system of the wage-earners.

Summarising and applied to the farmer: a person who works on the farm in a subordinate relationship with the farmer is considered to be an employee of the farmer and will fall normally under the personal scope of the employees' schemes. The person who works on a farm without standing in a subordinate relationship to his/her commissioner is considered to be a self-employed farmer and hence will be insured as self-employed person.

3.2.3. Farmers as one of the self-employed groups

Some countries differentiate the farmers from the other self-employed groups (such as the craftsmen, tradesmen, free professions). This can be done because the farmers are socially insured in a separate categorical farmers' system; or because within the general system, special rules (with regard to financing or benefits) are in place for the (self-employed) group of farmers.

The idea of this differentiation is not so much to develop systems of different protection levels (e.g. farmers less protected than other self-employed people) yet to enable the application of specific rules for the group of farmers. Contrary to other groups of (self-employed) people, one uses for farmers sometimes special rules for the contribution raising. The income assessment is e.g. done on the basis of fictitious income criteria (the size of the agricultural activity rather than the exact earned income of the farmer). But also on the benefit side, one can find specific benefits for the group of farmers: the replacement help in case of sickness of the farmer or maternity of the farmer's wife, who takes over some of the activities on the farm which the ill farmer or pregnant farmer's wife cannot do anymore (see e.g. the replacement workforce in Germany, Finland and Austria), or the specific "unemployment" benefit covering the loss of income due to lost harvest caused by bad weather conditions (e.g. in Greece). In order to apply these specific rules one should be able to delineate the farmers' group: who is farming and who not? The basic rule should be equal treatment for all farmers (and more generally speaking all working people) with regard to social security financing and social security protection; yet the development of adapted rules for different types of workers, fitting

with the specificities of each group, will enabling an optimal translation of the basic rules into the specific work environment¹⁸.

Hence one should be able to define clearly the agricultural activity (I do refer to what has been said under the section dealing with definition). Some countries make use of farmers' unions who formally register the persons who fulfil the conditions of the definition of the farmer. But let us be clear here: it is not left to the discretion of such union to allow persons as farmers and other not. The criteria of the definition are established in the legislation: the union can only verify whether the criteria are fulfilled in order to have the person registered as farmer or not, and consequently to have him insured as farmer or not. Here it will be important to make an overview of the existing types of agricultural activities in the country. Furthermore one should establish clearly how far the farming activity goes: is it restricted to the mere cultivation of sole and cattle or are the consequent retailers in the farming chain also envisaged (e.g. the self-employed traders collecting and further distributing the agricultural resources). Furthermore, in case a farmers' union exist in the country it is to be envisaged to what extent this organisation should have a function/role in the social security administration (e.g. by formally registering the farmers).

3.2.4. Differentiating between the farmers

The same logics, as mentioned under 3.2.3. should be followed for differentiating further groups among the farmers themselves. The idea is not to organise different protection levels among farmer groups but to make sure that the application rules do fit the variety of farmers. The financing rules based upon farm activities (rather than income) can be differently stipulated for farmers cultivating farm land, than for farmers who deploy cattle husbandry, or for farmers having mixed activities. An

¹⁸ See more about the differentiation between basic social rules, neutral to all professional groups, and adapted application rules, specifically develop for each professional group: P. SCHOUKENS, *De sociale zekerheid van de zelfstandige en het Europese Gemeenschapsrecht: de impact van het vrije verkeer van zelfstandigen*, Leuven, Acco, 2000, 542-544 and -, "Comparison of the social security law for self-employed persons in the Member States of the European Union, in D. PIETERS (ed.), *Changing work patterns and social security*, London-The Hague-Boston, Kluwe Law International, 2000, (63), 92-98. see as well below under the sections dealing especially with the benefits and financing.

unemployment benefit covering the loss of agricultural resources due to bad weather might be differently regulated for a farmer (apiculturer) than for a person cultivating corn or wheat, or for a fisherman. The level of protection is the same yet the practical rules allowing a proper translation of the basic rules into the specific work situation of each (loss of bees vs. loss of crop) may be different. It is only for this purpose that one ought to make to different rules, i.e. to make sure that the policy behind the scheme gets optimally translated into rules taking into consideration the specific work situation of each group. It is definitely not necessary to organise different protection levels or favourable financing rules for certain groups of farmers. Here as well one will have to define clearly the several types of agricultural activities; farmer unions can play a role here as will become more clear under the section dealing with the administration.

3.2.5. Practising several activities

Western European states have different rules in place for the situation in which one person combines at the same time different professions (e.g. farmer and wage-earner). In general though all activities are accountable for social security, in the sense that contributions are to be paid on the basis of the income stemming from all these activities. That does not necessarily imply that one will receive (supplementary) social security rights on the basis of additional activities. A number of countries, like Austria, Great-Britain, France and Germany, permit that one only has to pay decreased contributions (or even no contributions) when the additional activities result in only small profits. One does however have to join the competent system, even when that does not have any financial consequences.

In Belgium, the distinction is made according to the fact whether the self-employed activity is practised as the main profession or not. In the latter case, the contributions that are paid, are adapted. When the profits remain below a certain level, those contributions are lower than the usual percentages of the contributions. However, they do not open any right to benefits if rights have already been granted on the basis of the main profession.

Next to all this, there is also the possibility to impose compulsory insurance for only one of the activities. For the calculation of the contribution, one may however use the sum of the incomes from the other professional activities. Such is the case in the general professional system of Luxembourg.

Traditionally countries with a general system in force, will add the profits from the different activities to reach in that way one global basis for contributions and taxes. This is e.g. the case in most of the Central- and Eastern European countries which joined the EU recently. The policy followed is to take both (or all) activities into consideration for social insurance purposes. The income of the concerning activities is being added to define the eventual contributions to be paid. As such this practice is not so surprising as most of the countries include the self-employed (farmers) into the general system of the workers. This kind of system indeed allows without too many difficulties to take all exercised activities into consideration for insurance and financing purposes. EU states having a similar set up (insertion into general systems) operate very often along the same lines. Hence for the concerned countries at stake (Albania, Serbia and Macedonia) a similar recommendation could be made. As the professional groups belong to the same general social insurance scheme, it is advised to add the incomes earned by the various professions; on the total basis a contribution is then to be levied. As mentioned before we came across a different approach in the three Balkan systems under investigation: in Albania and Macedonia farmers are exempted from social insurance in case they have an insurance status on the basis of another a professional status. Serbia is counting together the incomes for contribution calculation but this only for the application of the pension scheme and up to a certain limit.

From the benefit side, it is, in my opinion, also advised to reward the higher contributions, in higher benefit amounts, as least when dealing with income replacement benefits (see more about the interrelation income basis for contributions and income basis for calculation of benefits below under financing and the pension benefits).

3.2.6. Combining farming with income replacement benefits

A different situation is the one where the person is entitled to an income replacement benefit and at the same time is performing some professional activity. Let us e.g. consider the person who is pensioner but at the same time is still doing some farming activities, allowing the person to add some extra-income to the pension. The philosophy of most of the envisaged European systems is that a “retirement” pension is not to be combined with work, as such kind of pension pre-supposes retirement from work. In case a pensioner starts to work again and raises income it is normally being deducted from the benefit. Yet most countries do not apply this rule in a strict way, especially in the pension field as often the average pension is getting less generous (and thus sometimes not enough to live upon). Here we can find rules allowing the combination of a pension benefit and income out of work up till a certain level, above which the pension is gradually to be reduced. Translated to farming, it can be allowed that the pension is being combined with the cultivation of a small piece of land. Here again it shows that parameters enabling the translation of the agricultural assets into potential income levels is crucial; it allows to indicate from which size onwards, the pension should be reduced, as well as to what extent it should be reduced.

3.2.7 Co-operating spouses and dependent family members

Co-operating spouses, or more generally partners of the self-employed farmer do sometimes enjoy a specific treatment. The same is sometimes true for co-operating children (children of the farmer who work on the farm). In the countries examined for this report Serbia e.g. introduced specific rules for the co-operating family members. The rule is that in a farming household at least one person is compulsory insured within the pension and invalidity insurance scheme. Other family members (working as farmers) can be voluntarily insured with the same scheme (but in practice rarely do so). In Albania the Council of Ministers can introduce such “favourable” treatment” for the co-operating family members (but so far did not do so apparently). Macedonia did not introduce specific schemes for helping family members.

In some European countries these partners are exempted from personal social protection: they are freed from paying in contributions, but do not enjoy either protection. Such kind of preferential treatment is often to be found in countries which

grant specific – i.e. higher- benefits to heads of the family having at their charge a dependent spouse (or partner) who him/herself is not earning an income. The idea is that the helping spouse (partner) will be covered indirectly through these “family benefits” (assuming that the head of the family will share the benefit with his/her partner, eg. because of civil law rules). With regard to the cost compensation benefits (as health care, care and family benefits) the co-operating spouse (partner) is being covered as person at charge of the family head. Most of the times, self-employed farmers are in favour of such special treatment of co-operating spouses, partners or children. The latter become cheap workforce (as no contribution is paid) and are indirectly insured through the insurance of the family head. Yet due to the fact that households are not always stable, there is a growing major disadvantage. When the co-operating children leave e.g. the farm, they lose their social protection as they are not covered anymore for health care, care and family benefits; furthermore, the years during which they were active on the farm, did not constitute pension entitlements: at the end of their career they risk to end with a low pension. Therefore, most systems restrict the possibility of exemption of social insurance for helping children to the age of 18 (or some states 21). Once the children reach that age they should be insured on their own account (as self-employed person or as wage-earner, depending upon the contractual relation). Furthermore there are no special rules with regard to contribution payment (such as a reduction of the contribution amount).

With regard to helping spouses (partners), an increasing number of countries is abandoning specific regulations exempting (partially) the helping spouses (partners) from social insurance; such an exemption which result in an indirect coverage of the spouse through the farmers’ insurance works as long as the partnership is stable. Yet in case of divorce or breaking up of the partnership, the helping spouse is left without any protection or entitlement. In Belgium e.g. where helping spouses were exempted from social insurance, the legislation changed recently and imposes now a compulsory insurance upon the helping spouse as well. There is an assumption that the partners/spouses living together with the farmers are cooperating in the self-employed activity (e.g. farming) when that person is not performing another profession. The partner can only be exempted from compulsory insurance when he/she declares formally not to work in the business. If such a declaration is not available, he/she will be compulsory insured as self-employed person or as an

employee in case a labour agreement has been concluded between the two partners. By doing so, Belgium is joining the growing number of countries doing away with the exemption of social insurance for the helping spouse/partner (when that spouse/partner is not having another profession). Also in the survey on the self-employed systems of the new Member states of the EU, it became apparent that spouses co-operating in the self-employed business of their husband/wife normally do not enjoy a specific social security status. A co-operating spouse is either working as wage earner or as a self-employed partner in the business of his/her spouse. The person will be insured along the lines of the respective insurance (as wage earner or as self-employed person).

If one follows (e.g. for the small land tenants) the logics of the Model Provisions developed for the South-Caucasian region, the partner is covered through the “family unit”. Here we started from the premise that each person belongs to one household; the latter is a person or a group of persons sharing a major part of incomes and/or expenses and that is being formally registered. It is the responsibility of the household to pay a contribution, minimally on the basis of the poverty line; such contribution gives then entitlement to the household members (thus including the partner) to basic coverage.

3.3. Some conclusions

The three countries should put some effort in developing clear criteria allowing to make the difference between wage earners and self-employed people for social security purposes. Yet this exercise should not be overestimated. The best guarantee for distinguishing workers from self employed people is to provide to both categories a social protection of an equivalent level; for social security the distinction will then only be important to figure out what application rule is to be applied for which professional rule. The same reasoning is to be applied on the farmers group. The best policy to be pursued is to provide farmers a protection of equal value compared to the one in place for the other working groups. It is only in the field of the application rules that one will have to make the necessary distinctions between wage earners, free professions, tradesmen, and farmers, as the application rules have to reflect the specific situation of each of these groups. This reasoning can even be developed

further for the group of the farmers. The rules, e.g. indicating what kind of minimum activity is required to be considered as a farmer, will indeed be different for a farm based upon cattle threshold than for one cultivating land (or another having mixed activities). Moreover a detailed assessment of activities can also help in improving the financing of the farmers' social security system, and can even support the administrations when assessing and/or controlling the work incapacity or unemployment status of persons, especially when the latter persons do combine their activities with some small agricultural activities (see more about this below). It should also be looked at to what extent existing farmer unions could play a role in the formal registration of the farmer activities and possibly, in the execution of the administrative tasks.

Furthermore it is advised, in case of multiple activities, to have the incomes from the various work sources, joined for contribution purposes and possibly as well for the calculation of benefits. Farming activities should not be exempted from social insurance contribution, in case the person is already insured under another formal status. This kind of rule should not cause too many problems as the three involved countries work with so called general systems incorporating all professional groups. Serbia e.g. does already apply this practice, be it within a certain limits (only pension scheme and up to certain limit). The rule could be generalised somewhat and possibly a better interconnection between financing (contribution basis) and benefit levels could be introduced, guaranteeing a better transparency across the system. Moreover, this justifies as well the full insurance of helping family members on the farm.

4. The farmer in the administration of social security

4.1. The administration of the farmers' social security in Albania, Macedonia and Serbia

Serbia

The Ministry of Labour, Employment and Social Policy is responsible for the social security system of Serbia except for the health insurance and the public health

protection, which belongs to the competence of Ministry of Health. The Ministry of Finance on its turn is competent for the legislation regarding the collection of contributions in the field of the compulsory social insurance (in accordance with the Law on contributions for compulsory social insurance).

The administration of social security schemes is entrusted to non-government institutions under public law. They are functionally and territorially decentralised, having regional units and branch offices which are constituent parts of these institutions. These institutions have their own legal personality and are not included in state administration. The governing bodies of these institutions are organised according to the bipartite or tripartite principle (employers, employees, beneficiaries and government representatives-representatives from competent ministries). For farmers there is a separate Republican Fund for Pension and Invalidity Insurance (next to the Funds of respectively the employees and the self-employed people) which is responsible for the implementation and the administration of the pension insurance (covering the risks of old age, survivorship and invalidity). It is self-governed by the representatives of the insured persons (farmers associations) and the beneficiaries (pensioners' organizations). In practice though, the entire administration of the Farmers' Fund is composed of only a few employees whereas many of the dealings on behalf of the Fund are entrusted to the administration of the adjacent Fund of Self-Employed people. It has recently been decided¹⁹ to have the three pension funds consolidated in one pension insurance fund (from 1.1.2008 onwards). From 2008 onwards there will be one pension fund operating (i.e. the Republican Fund for Pension and Invalidity Insurance), being a special legal person governed by public law. However, the pension accounts will not be merged before 1.1.2011, as a transitional period has been built in. Between 2008 and 2011 the Fund will operate with 3 sub-accounts (i.e. one for the employed, one for the self-employed and one for the farmers). From 1st January of 2011 the fund will become financially merged as well.

The Republican Institute for Health Insurance is responsible for implementation and administration of health insurance and public health protection. It is self-governed by the representatives who are nominated by the Government. They are nominated at the suggestion of the trade union (representatives of insured persons-employed), the

¹⁹ Article 63 of the amendments to the Pension and Invalidity Insurance Act, Official gazette, No. 85/05)

pensioners association (representatives of insured persons-pensioners), the farmers' association (representatives of insured persons-farmers), the Socio-economical Council (representatives of insured persons-self-employed) and the Director of the Institute (representatives of the employed people in the Institute).

Albania

No separate structures are in place for the administration of the social security of the farmers. Yet within the administrations there are specific committees competent for the administration of self-employed farmers' regimes.

The Ministry of Labour and Social Affairs (MLSA) is responsible for the design and the monitoring of the social protection policy. The department of social services and the department of pensions are functioning in the MLSA. The Ministry of Health (MH) is the central body in the health system implementing health policy, drafting strategies for the development of the health sector, preparing investment programs and drafting legislations. The department of primary health care and the department of hospitalization care are functioning in the MH.

The Social Insurance Institute (SII) is responsible for the administration of the following contingencies: sickness, maternity, professional disease/accident at work, unemployment, old age, invalidity and survivors. The SII is an independent public institution, its governance is assured by the Administrative Council, a tripartite body with the representative of Government - trade unions - and employer's organizations. The SII administration is based on central office, regional offices and local agencies.

State Social Service (SSS) is a public institution in dependence of the Ministry of Labour and Social Affairs. The SSS is administered and headed by the Administrative Council, which is the highest decision-making body. The SSS administration is based on one central office, 12 regional offices and 26 residential institutions. Social assistance and social services units are also established in each municipality and the 374 commune branches. The social administrators working in social assistance units are in a double dependency, related on one side with the local authorities, and on the other side with the State Social Services.

The Health Insurance Care Institute (HICI) is responsible for the administration of the health insurance scheme. The health insurance scheme consist of the primary services of a general or family doctor, the reimbursement of some listed medicaments and thirdly all, unique medical examinations and treatments and consultations approved by Ministers' Council Decision. HICI is an independent public institution, its governance is assured by the Administrative Council, a body with the representative of Government, of the insured persons, interested groups such as pharmaceutical organizations and the Medical Doctor's Order, etc. The HICI administration is based on a central office and regional offices.

The implementation of the law 7703 dated 11/5/1993, "On the Social Insurance in the Republic of Albania", and the amendments made to it in 1998, 2000, 2003, as well as all Decisions of the Council of Ministers, with regard to the self employed in the agricultural sector and the farmers have been accompanied with the necessary infrastructure and the respective human resources. So, within the National Insurance Institute's Department of Contributions, there functions the Section of the Self-employed in the Agriculture (1Head of Section + 2 Specialists). Their main duties are to supervise the economic indicator, the incomes and the number of the contributors, to maintain relations with the regional departments, to check documentation, to analyze and to make summaries and suggestions for the head of the department of contributions, etc.

In every regional department there is a coordinator in place for the self employed in agriculture who coordinates the work between the local level (commune inspectors) and the central level (National Insurance Institute).

Also in Macedonia no specific social security bodies are in place for the group of the farmers. Their social security is administered as for the other groups by the general administrative bodies. The most important authorities are the following:

- the Ministry of Labour and Social Policy: responsible for development of policy and supervision of all types of social protection, except for health care.;
- the Pension and Disability Insurance Fund of the Republic of Macedonia with the regional offices is an independent body, but under supervision of the Ministry of Labour and Social Policy. The Fund is responsible for implementation of the legislation on pension and disability insurance;
- the Employment Agency with its local employment centres is responsible for the rights to unemployment benefits and for implementation of active measures and labour market policies. The Agency is also an independent body under supervision of the Ministry of Labour and Social Policy;
- the Ministry of Health is responsible for policy creation of health care and protection; and
- the Health Insurance Fund is an independent institution. Supervision of the legality of the Fund's work is carried out by the Ministry of Health. The Fund is responsible for the implementation of health insurance.

4.2. The administration of the farmers' social security in European systems

Countries with a general social security system in force, principally work with a uniform administration, without distinction between workers, self-employed people and other possible professional or demographic groups. Examples can be found in Denmark, Sweden, Finland, Great Britain, Ireland, and what the general professional systems are concerned, in the Czech republic, the Slovak republic, Hungary, Slovenia, Bulgaria, Romania, Portugal, and Spain. For example, in Great-Britain the *Contributions Agency* and the *Benefits Agency* will respectively collect the contributions and pay the allowances for the department of Social Affairs, regardless of the professional group that is insured. In Ireland, the contributions of both workers as self-employed people are collected by the tax department; the allowances are paid by the department of Social Affairs. The general system for the self-employed in Belgium is governed by its own special body, the *Rijksinstituut voor de Sociale Verzekeringen der Zelfstandigen (RSVZ)*. This institution collects the contributions

and pays the different allowances that are provided in the system to all self-employed (including the farmers). The *RSVZ* does however co-operate for the realisation of its task with many other institutions pertaining to public and private law. Moreover, for the health insurance, the *Rijksinstituut voor Ziekte- en invaliditeitsverzekering* is called upon. Its governing bodies contain the necessary representatives of the self-employed (as well as a representation of the group of the farmers).

On the contrary, countries with a diversity of categorical systems have a much more complicated administrative structure. This is related to the division in systems according to the professional group. In France, this has led to a very complicated structure, since there are different administrative structures in force not only for each professional group but also for each risk that is insured. For example, in France the different groups of self-employed people have their own pension administrations (the farmers being one of them). For the health insurance however, there is only one institution for the administrative tasks for all the self-employed, with the exception of the farmers which run their own health administration. What the family benefits are concerned, the National Fund for Family Benefits is competent, regardless of the professional statutes of the family members. The agricultural sector at last has been organised around the Central Social Fund for Provisions of the Agricultural Sector for all social security risks. In Poland there is a separate administration system for the farmers' social insurance, being the Agricultural Social Insurance Fund (*Kasa Rolniczego Ubezpieczenia Społecznego* or abbreviated "KRUS"). The Agricultural Social Insurance Fund is directed by a President and constitutes the central state administration organ subordinated to the Minister for Countryside and Agriculture Development. The President is designated and can be revoked by the Prime Minister, on the request of the Minister for Countryside and Agriculture Development formulated with the consent of the Farmers' Social Insurance Board. The President of the KRUS, due to his function, is also President of the Board of the Farmers' Social Insurance Contribution Fund. The Minister for Countryside and Agriculture Development, on the request of the President of KRUS, formulated after consultation with the Farmers' Council, designates the KRUS Deputies. The Directors of the KRUS Central Offices, the directors of the Regional Departments, the directors of the Field Offices and other organisation units (e.g. farmers' rehabilitation centres and rehabilitation establishments) are acting under the responsibility of the President for

the realisation of their tasks. KRUS is composed of a pension fund (covering old age, invalidity and survivor's pension) and a health care fund (covering sickness, maternity and health care).

Besides the central institute of KRUS 49 Regional Departments and 222 Field Offices are operative. Under its control do fall as well five centres and two establishments for farmers' rehabilitation.

In the categorical systems and in the general scheme for the self-employed, the administration is mostly decentralised in a functional way. This can largely be explained by the professional character of the insurance systems in question. Bodies pertaining to (semi-)public law or even institutions pertaining to private law, are created to deal with a particular aspect of the social security administration. Those institutions are usually managed by the professional (self-employed) group in question. Some kind of government control is however always present, by means of government representatives sitting in the administrative bodies of the institution or by means of imposing certain legal conditions to the institutions. The level of autonomy of the functionally decentralised bodies can differ considerably. For example, the different administrative institutions in the Greek social security are strongly controlled by the government, because they all enjoy considerable government subsidies. In exchange for subsidies, often government representation with a decisive voice can be seen. In Italy however, the administrative institutions for the systems for the liberal professions have been 'privatised'; more specifically, they have achieved a greater financial autonomy from the general social security system. The funds can organise themselves in an organisation pertaining to private law, but the decisions that are taken are still to be confirmed by a ministerial decree.

Does all this prove that systems that are organised around specific groups of self-employed people (such as farmers e.g.), are being governed in a way that respects more the specificity of the self-employed/farmer? In the governing bodies of the categorical systems and also in the general system for all self-employed people, the group of self-employed people concerned is usually well represented. In general systems, a special representation of the self-employed is seldom found, leave aside a specific representation of the farmers group. Here, the interests of the self-employed are often defended by the employers' representatives. Still, one should not stress too

much the importance of the own representation. Because of the financial interference of the government in the different categorical systems or because of the structural incorporation of these systems in a more general social security system, the competent governing bodies in these systems lose a great deal of their autonomy. Conversely, one can observe that the administration of the schemes related to specific professions in general systems is often left to the professional group concerned. For example, the unemployment insurance in Denmark, Sweden and Finland is administered by the professional organisations of the self-employed. In Finland, in the administration of the farmers' schemes (MELA) the representation of the farmers' groups is playing an important role. Functional decentralisation can therefore also be seen in general systems.

4.3. Some conclusions

The administrative structure of the social security schemes for farmers in Albania, Serbia and Macedonia, do not seem to face particular problems. From a comparative point of view, the applied structures do not differ greatly from what is in place in other European social security systems.

Two remarks though should be made, one in relation to the specific Pension Fund in Serbia, the other in relation to the representation of the farmers in the general social security administrations of the three involved countries.

The Pension Fund for farmers in Serbia is for the moment facing serious financial difficulties (see as well further under financing and pension benefits). Main causes are a bad contribution levy from the farmers (which is not the responsibility of the pension fund but of the tax offices), a too generous pension calculation (short insurance period) allow to receive a minimum pension) and a too small number of active farmers (compared to the amount of farmers on pension). Already now 85% of the necessary financing is coming from the general state budget; 15 % from contributions of the farmers. The sustainability of the system in general and the administration by the farmers of their pension scheme in particular, is at stake. Probably this explains the recent decision to have the three pension funds merged. A

similar example of this tendency can e.g. be found in Greece, where smaller (social security) funds for certain self-employed groups, which for some years were heavily subsidised by the central budget lost their autonomy and have eventually been incorporated in larger funds (or even the general system for employees). When a fund depends too heavily upon state subsidies it risks to lose its management autonomy, as the subsidising demands for more decision power in the governing boards. Often this leads then to a transfer of the subsidised fund into larger entities.

Still one has to warn the authorities that a merging of the funds will not solve a priori the problems which the pension fund is meeting with the group of farmers: among them have been quoted as most important: the actual not efficient contribution levy by the tax authorities, the rather generously stipulated entitlement conditions for minimum pensions, the worsening demographic ratio. Even with an insertion of the farmers fund in a larger entity, these problems still will need to be tackled.

To a certain extent the Serbian pension fund for farmers is lacking the control over the strings that can guarantee a sound financial management. Indeed when the legislator creates a too liberal set of rules regarding the entitlement to pension benefit, it becomes somewhat more problematic to guarantee a sound management, especially when at the income side the organisation of the contribution levy is handed over to another organisation (tax authority). The larger pension fund will face similar problems regarding the insurance for farmers. Moreover by merging the existing separate funds in one larger pension fund, one should not forget that one will lose the (potential) advantages which separate funds have for specific insured groups. Some countries deliberately followed the policy to have for self-employed people (or for some self-employed groups) separate social security funds. The major advantage of this approach is that self-employed people may be more tempted to contribute duly into the social security system, as they will consider the fund “as something belonging to them”. When introducing the administration into larger units covering all citizens or all workers, self-employed may lose their “fate” into the system. This may be especially true when the governing boards of such systems are run by other people than self-employed persons (e.g. social partners) not always aware of the particular way of work organisation by self-employed people and thus not able to fine tune the system to the needs of the self-employed persons. Hence, the Serbian authorities should think over whether they want to have the self-employed fund incorporated as

well in to the general pension fund. To the same the farmers' fund could e.g. also be incorporated into the actual self-employed fund.

As to the representation of the farmers' unions in the administration of social security, it should be indicated, as it was stipulated in the comparative part, that in an administration of a general social security system, the interests of the farmers can be well enough protected. It is not necessary to have a separate categorical scheme and administration for farmers to pursue such an objective. Rather than providing a voting representation, in the governing boards, it can sometimes be even more helpful to have farmers represented in the technical committees which are responsible for the administrative application and fine-tuning of the social security schemes. As repeatedly mentioned, the basic social security rules should be the same for all involved professional groups; in order to guarantee an equal application of these basic rules, it is recommended to fine tune the application rules in such a way that they fit the specific situation of the various professional groups the best. In case proper application regulations for farmers are necessary for the financing and the benefit provisions, then it can make sense to have some representation of the farmers present in the administration of the social security schemes. To make the administration of the farmers' system effective it can be advised though to have more cooperation between the social administrative bodies and the agricultural administrative bodies. Especially if one would start to work with the assessment of the value of agricultural assets (for the determination of the personal scope of the farmers' system and/or for the levy of contributions) a close collaboration between both ministries is desirable. Already nowadays, the Ministry of Agriculture has tools in place to assess the potential productive and economic value of farm lands. It would be a pity not to have them applied for social security matters, especially when they can be useful for the indirect assessment of income levels of the farmers' group.

5. Financing

5.1. Financing of the farmers' social security in Albania, Macedonia and Serbia

Albania

The social insurance fund is financed by the contributions of employer's, employees and self employed persons as well as contributions from the state budget in respect of persons, who cannot pay contributions. Social insurance benefits are tax-free. The social insurance fund is independent of the state budget, but the state guarantees the solvency of the fund. A reserve fund covers, at least, three months payment of pensions. Every year the mandatory social and health insurance budget is approved by Parliament and is included in the law on state budget.

Adjustments are done for the pensions. They are indexed each year, by the index of some goods and services especially for pensioners.

Social assistance and social services are financed by the state budget and budgets of local government.

Health care is financed by state, the compulsory health insurance, and the direct payments of citizens. The fund of health insurance is guaranteed by the state: any excess of contributions over benefits is stored in a reserve fund.

Self employed persons and farmers are obliged to pay the social insurance contributions based on the criteria of the Council of Minister's Decision. The amount of the contribution to be paid varies from region to region. The amount is lower in the poor rural areas than in the fertile (fields) lands (in the western part of the country). The state subsidies for the difference of the contributions.

Actually, the amount and the criteria of the contributions to be paid are as following:

- the payments of the contributions are made by the self employed farmer himself or herself, once every three months, no later than the last day of the three-months period to which they refer, in an assigned bank or in one of the national post offices.
- The amount to be paid in the rural areas is 5714 ALL or about 46.5 Euro, and in the field areas this amount is 8360 ALL or 68 Euro.
- The responsible person to implement the procedures for the farmers are the inspectors attached to every commune. Their main tasks are:

- the surveyance over the collection of the farmers contribution and of those exercising agricultural activities in the territory of the commune.
- checking (on Commune level) the expenses on behalf of the National Insurance Institute, (pensions, maternity benefits, child birth benefits, expenses for the deceased people, etc)
- keeping the self employed farmers updated with the information on the social insurance law and the benefits deriving from this law.

The social insurance contributions are compulsory for the self employed in the agricultural sector and for the farmers; if they fail to pay in the defined time period, sanctions can be imposed. Yet in reality it often happens that payments are not made. From a sociological point of view, the major part of those self employed farmers who, do not pay social insurance contributions are often those persons who only enjoyed an elementary schooling or in the best case a (partial) secondary schooling. This can have to do with the fact that among those people the incomes are of a rather low level; yet possibly even important may be the fact that the little educated farmer groups are not fully aware of the underlying logics of social security. They mainly consider the contributions as a tax levy from which there is no return. It goes without saying that a proper information campaign explaining for what social security stands, could be helpful here (see as well report of Pieters regarding the combat against black and grey work).

Serbia

The social insurance system is, as a rule, financed from contributions. The Law on Contributions for the Compulsory Social Insurance prescribes that contributions provide financial resources for the pension insurance, the health insurance and the unemployment insurance.

The amount of collected revenues depends mainly on the contributions raised upon the professional income. In case of insufficient funding, as e.g. for the pension fund of the farmers, subsidies may complement the raised contributions.

There are prescribed limits of income to which contribution rates apply. The lowest contribution basis is 40% of the average monthly wage in the Republic of Serbia paid in the previous quarter of the year; the maximum contribution basis is five times the average monthly wage in the Republic of Serbia according to the data of Republican Institute for Statistics.

The basis of contributions may be different according to the professional groups: for employed this is the wage or compensation of the wage in case of receiving a benefit for temporarily incapacity; for unemployed the unemployment cash benefit they are receiving; for pensioners the pension they are receiving; for self-employed the taxable profit or income defined as lump-sum; for priests the average monthly wage in the Republic of Serbia paid in the last quarter of previous year; for farmers the taxable income from the agricultural activity. In practice though farmers, in case payments are really made, mostly pay at the minimum rate.

For the pension and invalidity insurance scheme the contribution rate is 22% for all categories of insured persons. For employed persons the employer pays 11% and the employee 11%. Self-employed persons as well as farmers pay 22% by themselves.

If a person has an income based on two or more economical activities (as employed, self-employed, farming) the contributions for pension and invalidity insurance are, up to the prescribed maximum contribution basis, paid on the basis of all these earnings.

For the health insurance scheme the contribution rate is 12,3% for all categories of insured persons from which 6,15% is paid by employer and 6,15% by employee. Self-employed persons as well as farmers pay 12,3% by themselves.

Because contributions for health insurance, including the patients participation (co-payment), are insufficient to provide means for covering the paid out benefits (both in cash and in kind), the budget intervenes through subsidies.

For unemployment insurance scheme the contribution rate is 1,5% from which 0,75% is paid by employer and 0,75% by employee. Self-employed persons pay 1,5% by themselves. Farmers are not insured for this risk.

The system of pension insurance is financed on a “pay as you go” basis. Due to the fact that the efficiency of the collection of contributions is inadequate and that the

dependency ratio is very unfavourable in the Republican Fund for Pension and Invalidity Insurance of Employed (1:1,27) and in the Republican Fund for Pension and Invalidity Insurance of Farmers (1:1,6) pensions and other benefits paid by these institutions are subsidised by budget. For example, in 2004 contribution revenues made up only 13% of total Fund revenues, while the share of budgetary transfers in the financing of Fund was 87% (26% of revenues were received on the grounds of the Republic of Serbia obligations prescribed by the law, while donations from the Budget accounted for as much as 60% of total Fund revenues). 2005 has seen a similar situation: 84% of overall Fund's revenues originated from the Budget (57% were budgetary donations). In 2004 transfers to the Farmers' Fund amounted to 2.24% of the Republic of Serbia Budget, that is 0.63% of the Serbian GDP. The corresponding data for 2005 are 2.19% of the Budget and 0.60% of GDP. The funds for the financing of the Farmers' Fund have been estimated for the working year 2006 as amounting to 3.48% of the Budget and 0.84% of GDP. These funds which are granted in the form of donations according to the Fund's financial plan, shall most likely represent now 89% of total Fund revenues. The data illustrate the fact that the participation of budgetary funds in the Fund's financing in the previous years played a crucial role in ensuring the payout of benefits to beneficiaries.

The actual raising of the contributions is left to the tax authorities which transfer the accumulated money to the respective social security funds. The Farmers Fund is characterised by an extremely poor collection of contributions, which can be well illustrated by the data that only 44% of originally projected revenues from contributions were collected in 2005, despite the fact that the projections already accounted for the inability to collect certain percentages of contributions. Similar trends were evident in previous years.

There are several reasons for this situation:

- Due to recent situation (until October 2005) being characterised by pension arrears (retired farmers having to wait several months upon their pension), contributors lose motivation to continue to pay contributions, despite the fact that the minimum monthly contribution base is significantly lower compared to the other two funds;

- The process of filing complaints with competent bodies of municipal administrations with regard to insurance is not functioning, which leads to the deterioration of the relations with insured persons and beneficiaries;
- According to the legislation, the Tax Administration is responsible for assessing, recording and collecting contributions. The Tax Administration and Fund are required to cooperate and exchange data throughout the whole process of contribution collection. However, this exchange is not always functioning to a satisfactory level, due to which insurance records are kept in an imprecise manner. Additionally, non-payment of contributions has been tolerated for years;
- The amendments to the Law on Pension and Disability Insurance in 2003 introduced the obligation that only one member, that is at least one member of the agricultural household, shall be subjected to compulsory insurance, while other members may join the insurance scheme on a voluntary basis. Until that time all members of the agricultural household were subject to compulsory insurance. Nevertheless, this measure has not resulted in any significant improvement of contribution collection;
- The economic situation in agriculture has adversely impacted the motivation of potential insured persons;
- There is a low level of awareness of potential insured persons about the underlying logics of a social security system;
- Municipalities predominantly engaged in agricultural activity usually belong among the poorest municipalities in the Republic of Serbia;
- There is an unfavourable demographic structure. Namely, the population engaged in agriculture mostly includes elderly persons having no heirs who would be interested in the continuation of agricultural production. Naturally, a lack of information and motivation, as well as poverty (these households often dispose of a small piece of land or cattle, sufficient only for basic sustenance) lead to non-payment of contributions.

Macedonia

The health protection system of the Republic of Macedonia is funded by several sources. The most significant source for financing are the funds from the contributions for obligatory health insurance providing for more than 90% of the total

funds for health care and the rights related to it. The contribution rates are determined by Governmental Decision (Official Gazette of the RM Nos. 4/01, 50/01). The aforesaid Decision also stipulates the rates and the bases for the obligatory health insurance contributions for each category of beneficiaries

Payment of contributions for the obligatory health insurance is made through the payment accounts of the regional offices towards the single account of the Health Insurance Fund.

The income replacement benefits (pensions, work incapacity and unemployment²⁰) are being funded as well from contributions. However, through the tax budget the Republic also participates in the funding of the pension insurance.

In the pension scheme the funds of the pay-as-you-go system are provided by the contributions: they are used for the payment of the current pensions. The rate of the contribution for the pension and disability insurance amounts to 21,2% of the gross salary. Of the 21,2% contribution rate, 13,78% is paid in the first pillar. The rights regarding pension insurance are acquired in case of old age, disability and death. Furthermore there is a fully funded pension insurance financed with a capital component, and a previously defined contribution. The contribution rate for the second pillar amounts to 7,42% of the employee's gross salary. Farmers however are not included in this second-pillar scheme.

The Pension and Disability Insurance Fund pays itself a contribution for the health insurance of its pension beneficiaries; the resources for this contribution are obtained from the general funding sources. The rate of the health care contribution amounts now to 14,694 % of the pensions paid.

For the sickness and maternity benefits, a contribution amounting 9,2% is to be paid.

For the contribution payment, two types of farmers are being distinguished: the individual farmers who are paying contributions on the basis of the amount of the cadastre revenue and the individual farmers who pay according to their real income. The first group pays taxes and contributions according to the determined cadastre

²⁰ As farmers and other self-employed people are not covered by this insurance, no further attention will be given to it.

revenue. This cadastre revenue is determined according to the classification of land in the land cadastre. Cadastre revenue is used as a tax basis but at the same time is also a first step in determining the contribution basis (at least for the pension and the invalidity insurance). The contribution basis for the pension scheme is the cadastre revenue which is being multiplied by a certain coefficient which is determined on the basis of various criteria (e.g. income, sort of land, etc). In practice for the farmers the coefficient is always higher than 1 (thus the contribution basis is always higher than the cadastre revenue). For some underdeveloped regions the contribution for the pension scheme is being paid by the state (this subsidy is being foreseen till 31.12.2008).

The other category of farmers pays taxes and contributions according to their real income (as they have to run business books for accountancy purposes). For instance they are farmers from the high income branches including bee breeding, stock breeding, plantations and orangery, horticulture, etc.

In principle, minimum and maximum rates do apply; yet there are some exceptions for the individual farmers. The basis for the calculation and payment of contributions, i.e., the basis for insurance shall not be lower than 65% of the average net salary per employee in the Republic of Macedonia published for the current month. This minimum is however not imposed upon the self-employed farmers.

The basis for calculation and payment of contribution, i.e., the basis for insurance can not be higher than the amount of three average salaries per employee in the Republic of Macedonia published for the current month. The highest pension basis refers only to beneficiaries entering the obligatory fully funded pension insurance, i.e., the new pension system.

The other social protection and welfare benefits are paid by the general budget (central and/or local). The financing of the social welfare is being carried out on the basis of an annual Programme for social welfare developed by the Government of the Republic of Macedonia.

5.2. Financing the farmers' social security in European systems

Comparing the financing of the social security systems for the self-employed and the farmers is a hazardous task.

Most countries have a financing system based on contributions. Exceptions are the Nordic countries that finance most of their basic social security benefits through the state budget. Financing through general means can also be found more often in the general schemes for health care and family burden. That is for example the case in Ireland, Great Britain and Germany, the latter only as far as the family benefits are concerned.

Comparing percentages of contributions is therefore of little use. Furthermore the different social security systems for self-employed farmers in Europe never cover completely the same areas. In one system, certain social security benefits simply do not exist, or the farmer is ranged under a general system. How can in the latter case the financial share of the self-employed farmer be determined, when the revenues come from general means?

All this becomes even more complex by the way in which the Member-States determine the income basis on which the contributions and taxes are raised. The determination of that basis differs strongly.

5.2.1. The determination of the income basis

One of the problems related to the financing of the systems for the self-employed in general and the farmers in particular is the determination of the income basis on which the contributions or taxes that are owed, have to be calculated. In contrast to the wage-earners, no fixed wages exist that can serve as a basis to calculate contributions or taxes. Furthermore, there is less possibility of control. The self-employed (farmer), in contrast to the wage-earner, declares himself/herself the income, which can lead to a tendency to undervalue this income. Even more problematic is that self-employed and especially the farmers do sometimes have a structural misconception of “income”, being: the financial resources that are left over

as cash money at the end of the month after all payments (including for private purposes) have been done²¹.

As such the attitude of the self-employed farmer is not always one of cheating the tax and social security authorities, as is often believed; as important is the fact that some of them do not always conceptually understand what is considered to be “professional” income at the end of the day. It shows however, that in case the income declaration is left completely to the discretion of the self-employed farmer, some serious misreporting may result from it.

For the determination of the basis for contribution, there are two tendencies. Either one co-operates with the tax services or the social security institutions determine the basis for contribution themselves. The latter strategy is used sometimes when the tax collection does not function well or because the co-operation with the tax services is considered too complicated.

5.2.2. The co-operation with the tax services

The co-operation with the tax services can be realised in two ways. Countries like Sweden, Denmark, Finland, Great Britain, Ireland and the Netherlands leave the collection of social security means to the tax administration. This is not only so when the social security is financed from general means, but it can also happen by letting the tax services collect the contributions.

Other countries consider the collection by the tax services too extreme and use only the information about the incomes sent by the tax services as a basis. This is what happens in France, Luxembourg, Belgium, the Czech Republic, the Slovak Republic, Slovenia and Italy. This way of working often turns out to be complicated. Using determined tax information causes a time gap. In other words, the basis for the social security contribution does not reflect any more the last known income of the self-employed person. For example, Belgium has chosen to work with fixed tax information, viz. revenues that have been determined definitively for tax purposes.

²¹ See for this, the very interesting contribution of B. WHELAN, “Assessing the incomes of the self-employed”, in D. PIETERS (ed.), *Changing work patterns and social security*, The Hague-London-Boston, Kluwer Law International, 2000, 149-160.,

Concretely, one uses information that is three years old. The problem is that the self-employed pay on a contribution basis that does not correspond any more with the current income of the year of contribution. Another problem is the situation of the starting self-employed for whom during the first years no income is known: special rules are to be developed so that correction payments can be made from the third year onwards. A similar situation can be found in France and Italy.

Another complication has to do with the used taxable income. For some self-employed groups, especially the farmers, the tax authorities sometimes use a fixed income and not the really earned income. Traditionally this income level is being negotiated between the tax authorities on the one hand, and the representatives of the agricultural sector on the other hand. Due to an agricultural policy aiming at the promotion of the farming activities, such negotiations may result in the adoption of rather low fixed income rates for the farmers. As a consequence low taxes are to be paid; indirectly though these fictitious tax incomes are used by social security authorities, leading on their turn to low contributions. In case one works for tax purposes which such fixed incomes, it makes no sense that social security would work with these income levels as well. It is not because taxation develops a policy in support of the farming industry that such policy should be taken over blindly by social security. We should not forget that social security, compared to taxation, serves many other purposes than only income raising, i.e. income replacement when a risk occurs so that people can maintain their standard of life. A social security system that guarantees high income replacement benefits on the basis of reported low income levels, is to fail at the end of the day. More than with taxes, there should be a structural link between earned professional incomes and attributed benefits: in case of low income levels this may mean the granting of low benefits; if benefits are to be of certain level, this should be reflected as well in the amounts of income on the basis of which contributions are to be levied.

Even more so, the promotion of a professional group such as farmers directly through social security (e.g. by reducing heavily the contributions) is a policy not to be promoted. Taking into account the complexity, as well as the linkage between contribution raising and benefit payments, social security is simply not the ideal environment to guarantee all kinds of “presents” to professional groups. This holds

certainly true when this group is organised for social security matters in a so-called categorical scheme. Hence we see that most European countries tend to move away from granting special treatments in social security for certain defined groups in general and farmers in particular.

5.2.3. The fictitious income basis for contribution levy

The fictitious basis for contribution can be found in countries like Spain, Slovenia , Portugal, Germany, Greece, and partially in Hungary, Lithuania, and Finland (the latter country only for what the supplementary pension is concerned).

The fixed basis for contribution is determined in various ways:

- the minimal income: in Hungary e.g. some self-employed persons enjoy the specific treatment of “lump sum” taxpayer. For social security this kind of self-employed person will pay a minimum contribution that is being calculated upon the basis of the minimum wage. The same applies for farmers who entered on a voluntary basis the Hungarian social insurance system. In Lithuania some categories of self-employed people (farmers and license holders) pay a fixed contribution for the pension scheme, which is being calculated on the basis of the basic pension amount. In the health insurance the minimum wage is being used as (fixed) income basis for the farmers whereas the other self-employed person pay on the basis of the average wage in the country.
- the average income (of the workers) in the sector in question;
- the wages of a civil servant working in a similar sector (e.g. the wages of a judge at the court of appeal to determine the basis for contribution for lawyers in Greece). This solution is obviously not to be taken over for the group of farmers.
- a parameter to estimate the income (like the size of the farm, the surface of the fields that are used, the size of the live stock or the volume of the crops that are grown for the determination of the income of farmers; likewise for hotel keepers, the number of beds are sometimes used as a parameter for contribution raising). In

Austria the contribution basis for agricultural and forestry entities is, as a rule, derived from the assessed value (flat calculation). The “assessed value” is a value established by the revenue officer for tax purposes, expressing the productive capacity of the agricultural/forestry entity. Based on a legally defined formula, the assessed value is computed into a monthly contribution basis. For running the entity as well as for any side activities, provision is made for a separate minimum contribution warranting a minimum payment of contributions. In principle the value assessment is being revised every ninth year, or, earlier, in case a fundamental change in the agricultural activity took place. In case a value assessment has not been carried out (yet), the farmer is paying contribution on the basis of the personal income that is being declared for tax purposes. The basis of this personal income is the difference between the company assets as being established by the bookkeeper for the declaration year and the assets as they were declared the year before. It is thus not linked to the income which is paid out to the farmer after all costs and taxes have been paid, nor to the net profit of the farm²².

The problem with this fictitious income basis is that there is no real relation between the actual income and the basis for contribution that is used. Furthermore, the fictitious basis for contribution is sometimes set at a low level, so that the system receives insufficient financial means and a financial support of the government becomes necessary. In order to prevent such organised underestimation, some countries moved away from the fixed income level and developed a somewhat more sophisticated system of income scales out of which the farmer “chooses” (e.g. in Slovenia, Spain, Finland and Portugal). The scale that is chosen has consequences for the eventual benefit, because that benefit is calculated on the basis of the income that is declared. A similar scheme is used in the Finnish supplementary pension scheme. The motive however is different here: one tries to approach the real income that the self-employed person receives from his business. In the general business incomes, many other elements are included that do not play a role in the actual personal income of the self-employed person. However, the determination of the income is being

²² See in detail: Bauern – Sozialversicherungsgesetz – BSVG, BGB1. Nr. 559/1978. Especially § 30 (Begriff des landwirtschaftlichen Vermögens) is interesting as it describes which parameters are used to assess the value of the farm. See as well Einkommensteuergesetz 1988 – EstG, BGB1. Nr. 400/1988 where the income out of agricultural, subject to income tax, are being described.

‘assisted’ when the scale that is chosen is continually very low or when there are large income fluctuations. In those cases, the reported income is compared to the standard income that is earned in the sector in question. Next to that, the personal income does not always need to be lower than the income that is declared for tax purposes. For the determination of the personal income, a number of deductions are not counted if they are related to business activities. In Slovenia the self-employed person could freely choose till 1999 the income basis upon which contributions were to be paid. To that purpose seven categories of insurance rating basis are defined. The lower base is the minimum salary and the highest is the maximum pension base that is being used for the calculation of the pension for employed persons. From 1999 onwards however this method of payment has been adapted. The chosen income is now being verified on the basis of the income that has been declared for tax purposes. Self-employed people can still choose the income level for the advance payment; however once the taxable income is known, the self-employed person might have to pay additional contributions in case his chosen income level turned out to be too low.

5.2.4. Minimum thresholds and maximum ceilings

Many countries (and especially those working with tax income declarations) apply minimum and maximum ceilings on the income declarations for the purpose of the contribution calculation. In some cases the minimum threshold coincides with the minimum income the self-employed person has to earn in order to be part of the social security system (see under personal scope). Other countries apply a minimum threshold for financing purposes which is deviant from the one used for assessing the accessibility to the system. In order to join e.g. the Bulgarian social security system, the self-employed person should earn an income, which amounts in average to at least one minimum wage. The minimum income on which contributions are being calculated however amounts to the double of this amount (two minimum wages). In other words self-employed persons earning in average more than the minimum wage but less than two minimum wages will always pay contributions on the basis of the

latter amount. Somewhat similarly a Belgian self-employed pays always at a minimum income of approx. 10.000 euro/year even if his real income is below (or when he made that year losses!). The logic of the minimum contribution boils again down to the presumption that the self-employed person should earn enough in order to be self-supporting. When a person is full-time self-employed he should earn at least that amount necessary to live upon; hence he should pay at least contributions on this minimum amount. Moreover, the income level in these systems is normally used for calculating the benefits in a later state. It does not make sense to allow self-employed persons earning ridiculous low incomes as at the end of the day such earnings will lead to the same ridiculous low benefits; consequently the self-employed person should go to social assistance. A better policy is thus to pay during the professional career at least on the basis of a minimum income. As a comparison: for (full-time) wage-earners the minimum is guaranteed through the minimum wage which the employer should pay to his employee.

Striking is the use by almost all Central- and Eastern European countries of a maximum ceiling upon the income of the self-employed for the contribution calculation. This deviates from the financing rules that are in place for the wage earners in these countries. For them a minimum threshold might be applicable but maximum ceilings are seldom applied upon their wages. The tendency seems to be different for the self-employed. Here the line of reasoning is that, in case a maximum ceiling is being applied for the benefit calculation, this should be used as well for topping up of the income for financing purposes. Apparently one assumes that self-employed persons will never be interested to declare more income when this does not lead to additional benefits. A rather strict link is made between the income used for financing and the income that forms the basis for the benefit calculation.

5.2.5. Self-employed farmers not able to pay

Most systems have special schemes for self-employed people that are confronted with (temporary) financial difficulties. Usually this results in a (partial) loss of social security claims. Great Britain allows those people to ask for an exemption to join the system, but this has the suspension of all social security benefits as a consequence.

Belgium has a special commission for the exemption of contributions. If one is considered as insolvent, then one does not have to pay contributions, yet one loses part of the insurance entitlements (especially the pension rights). France will grant self-employed people with difficulties a postponement of payment or will have the sickness fund pay the contributions temporarily. In the Czech Republic e.g. these persons can pay temporarily minimum contributions (calculated on the minimum assessment basis). Slovenia also introduced alleviations for self-employed persons facing problems with paying the normal contributions. Lithuania grants low earning self-employed people the possibility to pay lower contributions (as income basis 50% of the basic pension amount is used instead of the full pension amount).

Other countries consider the payment of the contributions as one of the obligations of the self-employed; if they cannot pay any more, then measures of selling by execution have to be taken. However, it is seldom that the social security institution will ask first for a bankruptcy order.

It is clear however that many systems introduced specific rules addressing the issue of the self-employed person who on *a temporary basis* is facing some economic problems. Due to these circumstances the self-employed person is not able to pay in the contributions in time. A harsh, but at the end not a very efficient approach would consist in not taking into account these economic problems for the application of social security legislation. Yet most, if not all countries do operate in another way: it is acceptable that the self-employed person asks for the suspension of his/her contribution duties. Yet one should be logical in accepting this request: the suspension can only be granted temporarily and in case the business is doing better the self-employed should pay in his/her arrears. If not, the period for which no contribution is paid, should be lost for the insurance record. Moreover, the exception clause should never be applied to a major part of the farming population.

5.2.6. Redistribution between professional groups

The structure of the social security for the self-employed has the necessary consequences for the creation of solidarity groups. When the system becomes more general, covering larger groups of professionally active persons, usually the

redistribution of means becomes bigger. However, when there are independent professional systems in force, then there is the danger that this solidarity becomes too fragmented and that certain systems cannot redistribute sufficiently. For example, agricultural schemes cope often with financial difficulties and often government must provide additional support. In that case, one can ask whether financially stronger schemes should not be addressed in their responsibility. Strangely, the tendency exists to link smaller schemes financially to the general system for workers. Rarely, the other categorial professional schemes of self-employed people are addressed to provide support. Only in France and in Greece, structural mechanisms of solidarity have been introduced between the different systems (for self-employed) in force. The redistribution of means between all professionally active persons is at last possible, be it in an indirect way (sometimes linked to the active/passive ratio in the professional group: a group with a better ratio will pay solidarity contributions to a group with a bad aging ratio).

In universal systems, government subsidies for the self-employed (farmers) are difficult to determine, because in such a system, all residents or professionally active persons receive contributions and benefits, regardless of their professional group. The redistribution between the professional groups is in such a case not transparent. In categorial systems on the other side, it is somewhat easier to quantify the deficits and the following government subsidies. Still, one should not stress too much all this. In general systems one can as well find out indirectly whether there are any transfers between the professional groups. In Portugal, the extension of the general system for workers to all self-employed led to an implicit subsidy from the workers and the employers. The self-employed became entitled to the same package of benefits (with the exception of the unemployment benefit), but paid considerably lower contributions. This is a consequence of the lower percentages of contributions that are used and the undervaluation of the income of the self-employed. All this was rectified later by using the same percentages of contributions, regardless of the professional group, and by making a package of benefits optionally insurable for the self-employed. In Ireland one could see that mainly self-employed people were taking the social assistance pension. This was criticised, because self-employed paid relatively few taxes, whereas taxes formed the main source of financing for the social assistance pensions. For financial reasons, it was decided to extend the social security pension to

the self-employed. In that way, self-employed persons are obliged now to contribute more for their own pension.

5.3. Some conclusions

In all envisaged countries in the Balkan region specific rules are in place for farmers regarding the financing, yet they often lack justification. E.g. in two of the three countries it is being stipulated that in case of multiple activities, the contribution is calculated on the basis of the combined incomes: this rule however does not apply upon the farmers group. They are being exempted from contribution payment, when they are already socially insured in another position. Moreover they can, for the application of social security legislation not be considered anymore as farmer when they have another formal activity as wage-earner or self-employed. Another specific treatment is the exclusion of helping family members on the farm in Serbia (still with the option of voluntary insurance). This measure did not have the expected result of improving financial resources and thus lacks completely each justification. As explained already in the section dealing with the personal scope, a better policy in a general social security system (a system in place in the three countries, except maybe for the pension insurance in Serbia), is to add all income which one earns on the basis of the performance of various professions in order to calculate the contributions; preferably this approach should also find its translation in the benefit calculation (see more about this below).

But the financial problems are more structural than these two problematic issues alone. In essence the three systems face problems with the assessment of the farmer's income. In Serbia one raises contributions on the basis of the real income, yet only 40% of the potential total of contributions is effectively being raised. The contribution collection is the competency of the tax authorities but in the case of the farmers this task does not seem to be done appropriately. As we could see earlier on in the legal comparison, when tax income data are not reliable enough, it might be better to shift to an independent collection of contributions on the basis of fictitious income parameters. This approach has been partially introduced in Albania, but is not enough fine-tuned in its concrete operational development. The income basis is first of all fixed, secondly too low, thirdly left too much at the discretion of the Government

without proper measurement tools (North: low fixed rate, and South with fertile grounds, higher fixed rate), and apparently is not enough controlled as large amounts of farmer families do simply not pay in the due contributions. The Macedonian approach starts to implement an income measurement on the basis of the existing agricultural infrastructure yet could be more refined as for the moment its main purpose is to serve the taxation services (cadastre). As was already mentioned in the section “personal scope”, the three countries are in need of the development of a tool/instrument which can assess the potential income of a given farm (depending upon size, amount of cattle, etc). The assessed value is a value established by the competent social security authorities, expressing the productive capacity of the agricultural/forestry entity. Based on a legally defined formula, the assessed value could be then translated into a monthly contribution basis. This instrument could be used in order to define the minimum capacity in order to be considered as a professional farmer (possibly depending upon the size of the family). Furthermore it could also indicate the level of earnings on the basis of which contributions could be levied. To say it differently, the assessed value if not to introduce a fixed contribution for all farmers, but to indicate what the minimum critical level before a farm can be considered as self-sustainable business (and thus indirectly sets the minimum contribution), and furthermore, a tool on the basis of which the income of farmers can be assessed.

Another problematic issue with regard to the financing is the completely lost link with the benefit levels (or conditions to open benefit). In case one uses a fixed income basis (as in Albania) self-employed farmers will not be incited to declare their higher income. Yet one has also to look at the benefit levels. In a system where most of the benefits are of a flat-rate kind, this often has an effect upon the financing: self-employed (farmers) try to organise themselves (legally or illegally) so that they only have to pay the minimum contribution. Why would they pay more if at the end of the day the benefit always remains the same? Here one should refer to the techniques applied by countries like Spain, Portugal, Finland and Slovenia, where self-employed can choose (sometimes a bit ‘helped’ by the social security authorities) the income level. This level will then have immediate effects upon the eventual benefit levels: the higher income basis one declares, the higher will be the eventual benefit. Possibly such a system could be combined with the assessed agricultural value of the farming

(as e.g. Finland and Slovenia do: see as well above). Either we can apply the technique of the assessed value in a strict way, meaning that per growing size category a higher contribution is to be paid; alternatively the farmer should pay in him/herself the contribution (starting from a minimum) which is then being controlled by the authorities on the size scale in which the farm is situated. In case the authorities are finding out that the contributions are paid at a too low level, the farmer can be invited to justify its case. The latter approach though would mean that the authorities have enough information and tools to monitor the productivity of farm lands; secondly it demands a rather elaborated administration in which social security and agricultural policies are well enough integrated and in which enough civil servants are present to deal with the controlling and negotiating tasks.

The problem with Serbia is somewhat the opposite, yet at the same time similar; here it seems to be that the pension benefits (and especially the conditions for opening entitlement) are too generously stipulated. When we have a closer look, it are mainly the entitlement conditions which are too flexibly stipulated, having the effect that with a relative short career one is entitled to a minimum flat rate pension (the amount of which is rather at the low side but in some cases higher than the contribution basis upon which one paid contributions). A more gradual benefit increase should be guaranteed for farmers with a long working career and related high incomes. This is somewhat missing: a person with a relative short insurance career and low incomes earns relatively quickly a minimum pension. The structure should be different: the entitlement conditions should be stipulated more severely (e.g. pension career of at least 40 years for a full pension) and the benefits rewarding (linked to the previously earned income). Financing and benefits should be transparently interlinked in the structural set-up of a social security system for self-employed (farmers). If the system is not rewarding afterwards, self-employed will always be incited to pay the bare minimum.

A coherent logic should be followed with self-employed in difficulties. In case of temporary problems specific arrangements can be made: exemption of payment (with loss of entitlement, but with possibility of paying in later the due contributions) but also the postponement of payment or even granting of temporary loans could be envisaged (see as well under unemployment when dealing with the section of the

benefits). However there should be a clear security built in for the social security system: when profits are made again they should be first used for paying the arrears in the social security; possibly social security could hold the farming business as a security during the granting of the loan. Yet one thing should be clear: social security is not there to support eternally farms which are virtually dead and broke. Better to have the business stopped than to keep it fictitiously alive. The special provision should be of a temporary character.

6.The benefits for farmers

In what will follow, a description will be given of the various social risks. This description will be pooled in the following way: first the income replacement benefits will be highlighted, starting with the benefits/pensions which are granted in case of old age and survivorship, then followed by the various work incapacity benefits and unemployment benefits. Thirdly we will have a look at the traditional cost compensation benefits (providing coverage or refunding for health care, family burden and care). Mainly the rules will be highlighted which provide a specific or deviant treatment for farmers. This means that not a full description of the social security regimes is to be expected; that kind of approach would lead us too far.

6.1.Old age and survivorship

6.1.1. The old age and survivorship pensions for farmers in Albania, Macedonia and Serbia

Macedonia

With regard to the income security for old age, a three-pillar public-private mix pension system has been adopted in the Republic of Macedonia. It is based on:

- The first pillar – the obligatory pension insurance based on generational solidarity;

- The second pillar - the compulsory fully funded pension insurance based on individual capital savings;
- The third pillar - the voluntary pension insurance based on individual components.

The first and second pillar pensions are uniformly regulated for the various professional groups, except for the farmers. Farmers are actually not taking part in the second and third pillar pension schemes.

With regards to security for the old age, the pension from the first pillar is being determined according to a formula established in advance, while the annuity from the second pillar according to the defined payment of contributions (capitalisation technique) .

As for the third pillar, i.e. voluntary pension insurance, it still has to be regulated by legislation in the future.

The pensions are calculated in accordance with the monthly wage average and the contributions realised in the period from 1 January 1970 until the end of the insurance of the worker. This is the pension basis and the amount of the pension is calculated and the percentage of the pension depends of the length of the working period. With regard to the average wage of the worker, it should be reminded that the basis for contribution shall not be lower than 65% of the average net salary of the employee in the Republic of Macedonia, published for the current month (except for the individual farmers). On the other hand the basis for salary and contribution collection, can not be higher than the amount of three average salaries per employee in the Republic of Macedonia published in current month. Indirectly, there is thus both a minimum pension amount as well as a maximum pension amount applied. Yet for farmers these minimum and maximum amounts are not applied. The pension is calculated on the basis of the reported income (i.e. for some farmer groups this income is constituted on the basis of the fiscal cadastre: see above) .

The insured pension reaching the age 64 for man, or 62 for women, who has at least 15 years of working record is entitled to an age pension. At the same time the conditions for an age pension have been stiffened during the transition period, starting from 1st of September 2000, and ending on 31st of December 2007. After te

transitional period an age pension may be acquired by an insured person who has a work record of 35, resp. 40 years (resp. for women)/men). In the previous system this insurance record period amounted to resp. 30/35 years length of service (women/men).

Macedonia undergoes as well the effects of the so-called solidarity pension for farmers, be it to a far smaller extent than Serbia. Indeed farmers enjoyed at the occasion of the enlargement of the pension scheme to this professional group, a favourable treatment regarding the entitlement conditions; as in Serbia it was assumed that the minimum insurance record was fulfilled by farmers who joined on that very moment the pension insurance scheme. Yet the effects are somewhat smaller as this preferential treatment was rather quickly abolished at the transition period from a Yugoslav Republic to an independent state..

In case of decease, members of the insured person's family are entitled to a survivors' pensions under the following conditions:

- in case the deceased person was already pensioner; or
- after the death of a beneficiary who had paid contribution at least 5 years or had at least 10 years of work record, or who had fulfilled conditions for an age or disability pension. If death occurred as a consequence of an injury at work or an occupational disease, the right shall be acquired without the condition of duration of work record.

Entitled members of the family are:

- The spouse (widow or widower) at the age of 45 or 55 respectively, or who is a guardian of a child, or who is unfit for work;
- A spouse who has reached the age of 40 (widow) or 50 (widower) on the date of the death of the beneficiary;
- a divorced spouse attains the aforesaid rights if he/she is already receiving maintenance;
- children to the age 15-26 in case they are in formal education;
- children supported by the deceased beneficiary and who are unfit of work;
- parents of the insured person if they are supported by him/her

Serbia

The compulsory old age insurance is regulated by the Law on Pension and Invalidation Insurance that came into force on April 10th, 2003. This law mainly changed the method of calculation of the pension; more precisely at this occasion a pension point system has been implemented. All earnings from the whole insurance period (starting from 1970) are now taken into the account, then compared with the average earnings in the country in every of these years, and then multiplied with the number of pensionable years and a financial value which is given yearly to the pension point. The personal maximum earnings for a certain year that are taken into account for calculation of benefit, cannot exceed four times the average earnings in that year (see below - maximum pension).

Entitlement conditions for old-age pension are: age of 63 (for men) and 58 (for women) and 20 years of pensionable period; alternatively these conditions become 65 (men) and 60 (women), and 15 years of insurance periods. Pensionable periods are periods of insurance (contribution periods) as well as special periods recognised as such or equalled (periods without contribution, for example periods spent in the resistance movement during World War II).

A third possibility for acquiring old-age pension is provided in case one built up a long period of insurance. According to the law, the entitlement conditions are then an age of 53 (both men and women) and a fulfilled insurance record of 40 years (for men) or 35 (for women).

For obtaining an old-age pension, the insured person must stop with economical activity (leave insurance), but, on the other hand, after getting a pension, the person can start with a professional activity again (get employed, start self-employment activity etc). A pensioner who completes more than 12 months of insurance periods on basis of such activity is entitled to recalculation of old-age pension. For the recalculation of pension all periods of insurance and all earnings will be taken into the account.

The beneficiaries having fulfilled at least the minimum insurance record of 15 years, are entitled to a minimum amount of pension which is prescribed as the amount of the

lowest pension in Republican Fund for Pension and Invalidity Insurance of Employed at the moment when the law came into force. Since then this amount has been indexed, as all other benefits, according to the provisions of the law. According to the federal law (not in force since April 10th, 2003) this amount was defined as 20% of average monthly wage in the previous year. In case the self-employed person is still having debts with regard to his contribution payments, the minimum pension is only paid at the level of 2/3rd; 1/3rd is being withheld until the contribution is being settled. A limitation of the maximum pension amount is achieved through the technique of limiting the total amount of personal pension points for every year. The maximum amount that one can accumulate, is four. Translated this means that earnings higher than four times the average earning will not be taken into account for a particular year.

Family members of a deceased pensioner (or of an insured person) are entitled to a survivor's pension. According to the Law on Pension and Invalidity Insurance following persons are considered as family members: the surviving spouse (widow or widower); the children regardless if they are legitimate, illegitimate, adopted, stepchildren if they were maintained by deceased; the grandchildren, brothers and sisters and other children without parents or children with one or both parents permanently incapable for work who were maintained by the deceased; the parents (mother, father, step mother/father) if they were maintained by the deceased. The divorced spouse is entitled to survivor's pension if, by the court decision, the deceased had the obligation to maintain her/him.

The survivor's pension is granted if the deceased person has completed at least 5 years of insurance periods, or if the person concerned was already a pensioner receiving old-age or invalidity pension.

The surviving spouse is entitled to a survivor's pension if at the moment of the decease she/he was older than 48 (women) or 53 (men); or she/he was permanently incapable for work before the spouse's death or became permanently incapable for work in one year time from the spouse's death; or after the spouse's death there is a child entitled to survivor's pension and the surviving spouse is taking care of that child.

There is also a correction on the age: a woman who was younger than 48, but older than 43 at the time of the spouse's death is entitled to survivor's pension when she reaches the age of 48.

Children are entitled to survivor's pension till the age of 15 and after that till the end of education. Children that are permanently incapable for work are entitled to survivor's pension. Parents who were maintained by the deceased are entitled to a survivor's pension if at the moment of the decease following conditions are being fulfilled: the parents should be at least 63 (men) or 58 (women) years of age or permanently incapable for work.

As was already mentioned earlier, the number of retired farmers is rather high, especially when compared to the number of active farmers paying in to the system. The system is running into a deficit. Yet the cause is not only the unfavourable ratio between retired farmers and active contributors. One of the other reasons, was the introduction of a renewed pension system in the former Yugoslav republic (introduced gradually, i.e. from 1986, and for Kosovo and Metohija from 1993). During that reform rather favourable entitlement conditions were introduced for farmers. Farmers who already had the status of insured person on the moment of the insertion of the farmers' population in the general pension system, were acknowledged to have built up the minimum insurance record which guaranteed them at least the minimum pension. Namely the number of years sufficient to reach a 15 years of insurance period, which represents the so called "solidarity pensionable period" is considered to be fulfilled already by the farmer who on the moment of the introduction of the (then) new pension system, was socially insured. In the case that the insured person at that moment was older than 55 (men), or 50 (women), the funds for covering the "solidarity pensionable period" were provided from the general budget.

Next to this, there is the cost of the minimum pensions which are being guaranteed to the farmers (as to all other pensioners). As farmers pay in small contributions (as they declare low incomes) they are, taking into account the general pension rules, eventually opening entitlement to small pensions. However in the general pension law a minimum pension is guaranteed to all pensioners, the amount of which is higher than the average farmer pension. This additional cost is also covered by state finances.

Furthermore there are, as already mentioned, the effects of the deteriorating demographic ratio (many farmers on pension and a relative small amount of contributors) amplified by a bad contribution collection. The number of beneficiaries rose exceptionally, until it reached the level of about 213,000 in 2001. Since that time it has been increasing at a lower rate. On the other hand, until 1995 the number of insured persons approximated 630,000 and has been in decline since. According to the latest data, 353,374 persons are covered by the insurance. The insured/beneficiary ratio is also constantly deteriorating - in 2005 it was 1.6, which means that there were 1.6 insured persons per one pensioner. All these factors together (short insurance periods, minimum pensions, underdeclaring of income and bad demographic ratio) explain the strong reliance of the pension fund for farmers upon the state budget. Old age pensioners make up the dominant share among pension beneficiaries – 189,436 (84.4%), followed by family pensioners – 22,827 (10.2%), while disability pensioners have the smallest percentage – 11,922 (5.4%).

Albania

With regard to the old-age pension, the minimum period of membership is 35 years of insurance (to become entitled to a full basic pension). In case the insurance period is lower than 35 years, but more than 15 years, a “partial” (reduced) pension can be obtained. The legal retirement age is 65 years (for men) and 60 years (for women).

The monthly full old-age pension shall be composed of a basic amount and an increment of 1% of the average assessment income basis which served for the contribution calculation, for each year of insurance. Until 1996 the average assessment basis was calculated averaging the best three gross wages out of the last ten years. After 1996 the reference period to calculate the average assessment basis has been extended to the entire working life.

The partial pension amount shall be calculated as a portion of the full pension. This pension shall be calculated by dividing the multiplication of full old-age pension amount and achieved years of insurance, by 35, that is: partial pension = Full Pension * years of social insurance achieved/35.

The total amount of pension shall be subject to a maximum of twice the basic amount or 75% of the net average wage of three years in the last 10 years of insured persons' employment; whichever is less. For deferment the person is given a supplement of 4% of the full pension for every deferred year.

Although in principle the benefit formula takes into account the number of years of contribution and it potentially grants a higher pension to those who have contributed for a higher number of years, the pension ceiling appears to be always binding, creating a de facto separation between contributions and benefits

As there exist a floor and a ceiling for the contributory wage, there are also lower and upper bounds for pensions: they are decided each year by the Council of Ministers.

The so called "rural" pensions are specific pensions paid to those who have spent more than half of their employment/insurance period working for the agricultural cooperatives under the socialist system. Persons who worked more than half of a (potential full) career in an agricultural cooperative are thus granted a rural pension (flat amount of 4110 leks). These rural pensions are going to die out as a growing number of farmers will start to retire from now, having a professional career as self-employed farmer amounting to at least 17.5 years. These persons will become entitled to a pension calculated in line with the actual state pension scheme; however years fulfilled in the agricultural co-operatives are not taken into account. As a consequence self-employed farmers retiring e.g. on the basis of a 17.5 years work/insurance record will be entitled to a pension amount somewhat higher than the minimum pension that is being guaranteed in the state pension scheme. The minimum pension is guaranteed to persons who have fulfilled at least 15 years and amounts to 7 266 leks per month (as of the year 2005).

With regard to survivorship, protection is granted to persons who are dependent upon the deceased insured person. Entitled persons are: the surviving spouse who is caring for a dependent child of the deceased person, up to 8 years old; or the surviving spouse who is disabled; or the surviving spouse who is 50 years or 60 years old (resp.

women/men). The widow and widower shall lose their right to a survivor's pension upon a new marriage. Orphans shall be eligible to a survivor's pension, provided they were dependent upon the deceased and are under 18 years of age, or 25 years, if studying or when being disabled, prior to the above mentioned ages. Orphans having lost one parent shall be entitled to a portion of the pension. Other beneficiaries are parents, grandparents and grandchildren they get 25 %. Death grant shall be awarded to the insured person or pensioner in case of death of a dependent member of his family. It shall be awarded also to the survivor of the deceased insured person, who looked after him/her and paid the funeral expenses. The death grant shall be equal to one month's basic old-age pension.

6.1.2. The old age and survivorship pensions for farmers in European social security systems

With regard to the old age and survival pension, there are not so many particularities for the self-employed in general nor for the self-employed farmers in particular. Largely, the principles of the schemes for workers are followed. One can however say that the pension schemes for the self-employed are less diversified in design. For example, the part time pension schemes will rarely apply to the self-employed. This is caused by the difficulties of control. For workers, a part time pension is usually calculated by means of the number of hours during which the worker is not professionally active any more. The remaining hours give rights to a pension. How much time self-employed people spend for their professional activities, is not always so easy to detect. Most countries therefore refrain from giving partial pensions to the self-employed. On the other hand systems increasingly introduce a clear and transparent linkage between the contributions one paid in as a self-employed (farmer) and the eventual benefit one gets out. Persons, and especially self-employed people, have to be stimulated to pay into the social security system. They have to understand, that in case one pays systematically on the basis of low income, the final result will be a very low pension. In the communication towards self-employed people, it is made clear that there is a transparent linkage between contributions paid and benefits one can get out of the system: or to say it differently: self-employed should be rewarded afterwards when they pay in more for social security. This transparency is created in

various ways: in some systems (where the income assessment is not functioning very well in the tax system), one leaves it to the self-employed person to choose out the income level on the basis of which one pays contributions; at the same time this income level is used in a later stage for the benefit calculation (see e.g. Spain, Greece, Finland and Slovenia). Sometimes the choice is a bit monitored on the basis of the potential income parameters (for farmers size of farm), making clear to the self-employed person, that looking at the potential of his business, too low contributions are being paid. Other techniques are benefit/pension calculation on the basis of the paid in contributions (as if they were capitalised); such systems we come across e.g. in France and Latvia. On the other hand countries which work with fixed benefit rates, often face the situation where self-employed people pay in as little as they can; the reasoning being: as it does not matter at the end of the day for my eventual benefit, what I pay in, it is better to pay in as little as possible. Such policy is undermining the sustainability of quite some system of self-employed (e.g. in Belgium)

Furthermore, the so-called ‘bridging pensions’, or more correctly the allowances that create the transition between unemployment benefit and old age pension, do not exist for the self-employed either. That can be explained by the collective character of these schemes or, when they have been inserted in the social security, by their close relation with the unemployment scheme, which has been developed for the self-employed in only a few countries. Apart from unemployment, there can also be schemes of early retirement. Often, they have been developed both for workers and for the self-employed. For the self-employed as well, the amount of the pension will be decreased in accordance with the number of years that one has retired early. For farmers however, early retirement is frequently stimulated financially. Thus, the farmer does not meet any financial loss because of his early retirement, on condition that he definitively stops his farming activities and passes on the farm to a third person. Yet we have to make very clear that these special schemes fit in the support for early retirement in the agricultural sector, that is (jointly) financed by the European Community²³. In other words this is an outcome of a specific European agricultural policy which modulates to a certain extent the social protection system (for farmers). As there are too many farmers, and especially too many small farms, the EU tries to

²³ Created by Regulation Council E.E.C. no. 2079/92, 30 June 1992, *OJL* 30 July 1992, issue 215, 91; updated by Regulation Council E.C. no. 1257/99, 17 May 1999, *OJL* 26 June 1999, issue 160, 80.

stimulate the transfer of small farms into bigger units or the reconversion into other self-employed businesses (such as small hotel resorts in the style of “touristic farming”).

Another particularity for self-employed in general, and especially for the group of farmers was traditionally the buy-out/opt-out from the system on the basis of the business/agricultural assets one has in possession. The reasoning was that a self-employed farmer could decide to stay outside the social security system (and more in particular the pension scheme) when he could prove that he had enough assets to live on once he would retire. The proof was then made by referring to the properties he owns (e.g. the farm building, the commercial value of the farm, other properties, etc). Most countries, if not all European countries, however moved away from this policy, which often seemed not to work at the end of the day. First of all, the strong farmers were kept out of the system, bringing sometimes the financial sustainability of the system in danger. Moreover such approach is rather opposite to the logics laying behind social security, where the stronger should support the weaker groups. Furthermore it seemed that many of these well-off farmers started to get into problems once retired. Values of the property went down, or money which the farmer received after selling the agricultural business, was badly spent. Main question was then whether the person should refused social assistance, as he agreed some decades ago not to rely upon social security.

A similar approach, be it a bit less sharp in its logic, is the idea that social protection, and especially old age benefits should be of a more basic level for farmers (and hence the contributions for this groups should be a bit lower). This policy is sometimes grasped under the name “surrender” or better “the survival policy”. The reasoning goes as follows: as farmers do have quite some assets in property (or at least in possession) on the basis of which they can continue to survive once retired, they do not need so much pension benefit. E.g. the farmer can still cultivate some parts of his land (for own purposes) and by doing so he is earning a small income (by not paying these goods on the market). Furthermore his biggest asset is his agricultural business which he can always sell to another person; at that moment he is receiving a postponed income from his farm and hence the pension can be lower. Most countries however, stepped down from these logics for the pension calculation, as not all

farming activities do result in the production of goods which can be used by the farmer to live upon; next to that the “surrender” or transfer of his agricultural assets to another person (e.g the person who inherited the farm, or the person buying the farm), does not always lead to enormous incomes. Many a farm is indebted and the assets should be immediately used for the paying off the debts. As a consequence most systems moved away from the “surrender “or “surviving” theories that justified low pensions for farmers. In the same way, the possible income a farmer receives from selling the farm, is not part of the income basis on which contributions are levied. This does not preclude countries to tax such assets, or to tax the inheritance value of the farm. However this is not related to the social policy pursued by the farmers’ social security system.

6.1.3. Some conclusions

Looking at the pension schemes at stake, a first suggestion is to build somewhat more transparency in the pension income replacement formula. The transparency can go into two directions. First of all, and in particular for the Albanian and Macedonian schemes, the eventual benefit is too fixed in nature, and this mainly due to the application of the maximum benefit amounts. A possible solution is to raise seriously the level of this maximum amount (or even lift the maximum amount); in order to keep enough redistribution, the income replacement formula could be redesigned somewhat so that higher incomes will have a slowing down return in pension benefit. The % calculated on the basis of the assessment income basis could be modulated (lower per higher income cap). Also in the Serbian pension formulae it could be checked to what extent the existing maxima are potentially slowing down the interest of self-employed high earners to contribute to the statutory pension scheme. In the pension schemes of Serbia and Macedonia (and to a lesser extent with regard to Albania) the insurance record to be proven in order to receive a full pension, is too short. During the 20, resp. 15 insurance years, the farmer could organise himself to have rather good earnings, whereas for the other insurance years this would not matter less; theoretically the farmer could even try not to be formally insured during those years. On other hand, long, yet realistic, insurance periods are applied in order to open early retirement. When pension schemes are facing worsening demographics, the

scheme is only sustainable when working with realistic pension ages are, combined with realistic insurance careers (not the one or the other). Here as well transparency is needed.

Another problematic issue is the liberal policy applied on the pension scheme in the recent past (especially the periods before the collapse of the respective Communist regimes). The assumed 15 years of insurance of farmers who entered the pension scheme from the mid 1980s in Serbia and Macedonia, are a clear testimony of this. Combining the rather generous pension rules with the current worsening demographics, an exodus from the workforce to other countries, and a weak economic situation, does not very much good to the financial situation of the social security system in place. Due to the fact that the pension fund for farmers is being run separately, appeared in a transparent and instant manner (hence a “positive” thing, which can be explained by the separate accounts characterising the autonomous pension fund). Hence, the main problem is not so much “bad management” but rather the fully coming in place of favourable rules which have been created for the farmers some decades ago. In other words the source of the problem is well articulated. Apparently the subsidies to the pension fund for farmers are of such a nature that one has decided to merge the three pension funds.

As mentioned earlier the merging will not solve the fundamental problems which cause the financial deficits for the farmers’ pensions. The fact that the minimum pensions are in average higher than the pension calculated on the farmers’ revenues should be addressed as well. Either the minima are to be dropped for farmers, which will push some of them to the social assistance offices; or, in case the minima are upheld, the income level on the basis of which contributions are levied should rise. But also the collection of the contributions should be better organised. I do refer again to the chapter on financing: a minimum threshold combined with a stricter monitoring of the farm size (the bigger the farm, the higher the contribution) could be of use here. Furthermore, it cannot be tolerated anymore to exempt farmers structurally from contribution payment in reality; only temporary exemptions can be granted (with the possibility of levying the arrears at a later stage). If the tax authorities cannot assume these tasks, it should be envisaged to have the contribution levy redirected again to the social security authorities. Yet who ever will do raising of the contributions, a

proper collaboration is to be set up with the competent agricultural authorities, enabling a proper monitoring of the farm size.

As to the worsening demographic situation in the farm fund, one could envisage a structural redistribution between the pension funds. Funds having a surplus due to a good demographic situation should then be called upon to pay a solidarity contribution with funds facing bad demographics. Such solidarity techniques based upon the age profiles are e.g. present between the French categorical pension schemes. In that way they create some interprofessional solidarity between the different groups of working people. It goes without saying that if the scenario of the merging of the pension funds is being carried out, such redistribution will take place automatically. However, such merging will have as well a downside: one will lose financial transparency (which group “pays” what and “consumes” what).

6.2. Other benefits for loss of income

A self-employed farmer can lose his income from work because he is no longer capable of practising his self-employed professional activities. That can be the consequence of illness or of an accident ; it can also be the consequence of a bankruptcy or of other external factors beyond his own control (such as extreme weather conditions). Successively, we will examine to which extent the EU Member-States grant benefits for loss of income caused by incapacity for work or unemployment.

6.2.1. Work incapacity (covering sickness, maternity, invalidity, labour accidents and professional diseases) and unemployment schemes for farmers in Albania, Macedonia and Serbia

Albania

For *sickness* benefits a person can be entitled when he is socially insured (until 30 days after the termination of the compulsory insurance) and declared work incapable. The amount of the benefits is 70% of the daily average of the annual assessment basis of the last calendar year, if the insured person has up to 10 insurance years and 80%, if the insured person has got more than 10 years of insurance. Self-employed persons and thus farmers, are not covered for this risk though

In case of long-term work incapacity an invalidity pension is granted. In principle the work incapacity is being assessed in function of the last employment; yet it can be approved to work under special conditions. The period for which cover is given is up to pensionable age, and on reaching this age the disability pensioner shall have the right to opt for an old-age pension, if the amount is more favourable. The two pensions cannot be cumulated.

As mentioned before, it is possible to grant a partial disability pension up to the time the insured person becomes able to perform again his previous employment. As qualifying period one imposes a period which is half the amount of years which lay in between the age of 20 years and the moment the person became work incapacitated.

The amount of invalidity benefit is composed of a basic pension, equal to an old-age pension and a pension increment. This increment is 1% of the average assessment basis on the basis of which contributions have been paid, for each year the person was insured. The partial disability pension is 50 % of the full disability pension. Reduced invalidity pension is a pension given to the person who does not fulfil the required minimum insurance period. The calculation formula is then the amount of the full invalidity pension being multiplied with the coefficient derived from the ratio of the individual insurance period with the required insurance period for a full invalidity pension.

A “family supplement” is granted for every dependent child up to 18 years of age or 25 years if it is attending the university or they are disabled. The amount is equal to 5 % of basic pension, but subject to a maximum of 30 %. Another benefit is the allowance for helplessness when the beneficiary of an invalidity pension becomes physically or mentally helpless and needs constant care of another person. The need of constant care is to be determined by the Medical Committee, responsible or work ability definition. This allowance equals 15% of the assessment basis.

Mothers are entitled to maternity benefit when they have acquired at least 12 months of social insurance. Benefits given are maternity benefits, compensation benefits due to change of the work place and birth grants. The duration of the maternity benefit shall be 365 calendar days, including a minimum of 35 days prior to and 42 days after child birth (this period will be increased in case the mother is expecting to deliver more than one child). When a child of up to one year of age is adopted, the adoptive mother shall have a maternity benefit beginning from the day the adoption occurred. The amount of the maternity benefit for wage-earners shall be 80% of the daily average of the annual assessment basis of last calendar year for the period prior to birth and for the first 150 calendar days after birth and 50 % for the rest of the period. The amount of maternity benefit for self-employed women (including thus farmers) is however fixed (i.e. equal to the base flat-rate rural pension, 4110 Lek). Birth grant shall be amounting to a lump sum equal to ½ of the basis wage (as set by the Council of Ministers Decision).

Self-employed farmers are not covered for the contingencies of labour accidents and professional disease, nor do they belong to the scope of application of the unemployment scheme.

Serbia

Farmers are not covered for the contingencies of sickness, maternity, professional diseases and unemployment (for the latter they can opt in on a voluntary basis though but the scheme is not specifically designed to meet their needs). Hence the following will be mainly focused upon the long term work incapacity benefit (invalidity pension and labour accidents).

Permanent incapacity for work (invalidity) gives entitlement to invalidity pension according to the Law on Pension and Invalidity Insurance. Since April 10th, 2003, when this law came into force, the definition of invalidity has changed. The legislation prescribes now that the insured person is entitled to an invalidity pension if he has suffered complete loss of work capability (for any work) due to health status

changes (as consequence of work injury, professional disease, accident or sickness) and the work incapacity cannot be improved by medical treatment or rehabilitation.

Work injury is defined as an injury that has occurred in connection (space, time and cause) with the work and is caused by an immediate and short mechanical, physical or chemical influence, sudden changes in body position, sudden burden on the body or other changes in the physiological state of the organism. In addition work injury is including as well the injury suffered on the regular trip to the place of work and back home as well as the injury caused by an accident or a higher force, in connection with work.

Professional disease is defined as the disease that has occurred during the insurance caused by long influence of processes and conditions at work. These diseases are prescribed by Minister of Labour, Employment and Social Policy and Minister of Health in Regulation on Establishing Professional Diseases. However farmers are not covered for this risk.

Apart from the case of work injury, entitlement to invalidity pension is conditional upon completing 5 years of insurance periods and not reaching the age requirements for entitlement to an old-age pension.

There is a special provision for persons who became permanently incapable for work before the age of 30. Up to the age of 20, one year of insurance period is required; up to the age of 25, two years of insurance periods are required and up to the age of 30, three years of insurance periods are required.

The calculation of the benefit is different for invalidity caused by a work injury or other invalidity cases. If the invalidity is work related, the pension is calculated as if the insured person has fulfilled the maximum amount of insurance years. In the other cases, the calculation is based upon the really fulfilled insurance period to which a certain amount of fictitious insurance period is added, depending upon the age of the insured person at which he/she became invalid. Furthermore, the same calculations apply as in the case of an old age pension.

In addition an insured person is entitled to a cash compensation for body damage according to the Regulation on Establishing Body Damages provided that the body

damage is 30% or higher and that it is the consequence of a work injury. Body damage is defined as a loss, an essential damage, or a substantial incapacity of certain organs or parts of the body which makes normal activities more difficult and requires more effort in fulfilling everyday life necessities, regardless whether they produce permanent incapacity for work (invalidity) or not.

Also a cash compensation for the help and care of another person can be obtained. This cash compensation exists within the pension and invalidity insurance scheme and the social assistance scheme (and the war veterans' scheme). Receiving compensation from one scheme excludes receiving, at the same time, the compensation from the other. The benefit is granted to a person who is incapable of fulfilling basic life functions (dress, feed, walk) without the help of the other person.

This benefit is transferred to the social protection institution for old persons if the beneficiary is accommodated in such an institution.

Macedonia

Income compensation during temporary disability for work due to sickness or injury (sick leave) and income compensation during absence from work due to pregnancy, child birth and maternity can be acquired by self-employed people. For farmers though specific rules apply. Income compensation may be acquired if the contribution for obligatory health insurance has been paid regularly and if the temporary disability for work has been recognised by a chosen doctor or by a medical commission of the Fund.

The base for calculating the income is the average monthly amount of the net income for which the contributions for obligatory health insurance have been paid for the last six months prior to the occurrence of the case by which the right to compensation has been acquired, i.e., prior to the start of the sick leave.

The amount of the income compensation during temporary disability for work is 70% of the income base. It amounts to 100% in cases of work injury and professional disease, donation of blood, tissue or an organ and absence from work due to pregnancy, child-birth and maternity.

Payment of the salary compensation for up to 21 days of disability for work shall be made out of the employer's funds. The first 21 days of sickness, farmers, as well as the other self-employed groups do not receive any benefit. Only from the 22nd day onwards a benefit is being paid to self-employed people. In reality though farmers are not granted any sickness benefit as it is difficult to control whether they stopped all professional activity.

With regard to maternity, the payment of the income compensation shall be made for a period of nine months, and in case of giving birth to more than one child, up to one year.

Pursuant to the law, invalidity is a permanent reduction or loss of the working ability incurred by an injury occurred out of work or by a disease, or by an injury at work or an occupational disease. In cases when disability occurred as a injury at work or as an occupational disease, the rate of disability pension shall be acquired disregarding the actual work record.

Normally, the invalidity pensions are calculated depending upon the work record (see before).

The demand should be launched to the branch office of the Fund for pension and disability insurance. The incapacity for work is evaluated by the Commission for evaluation of the working capacity in the PDF (Fund for pension and disability insurance). In case the person concerned wants to launch a complaint he can apply to the Governmental Commission for solving the rights from the area of pension and disability insurance.

Farmers in Macedonia are not covered for the contingency of unemployment

6.2.2. Work incapacity (covering income replacement in case of sickness, maternity, invalidity, labour accidents and professional diseases) and unemployment schemes for farmers in the European social security systems

Sickness and maternity

Traditionally states have quite some problems with organising a proper sickness protection for self-employed people. And this is true as well for self-employed farmers. The limitations on the sickness protection for the self-employed people are being defended with a number of arguments: the absence of fixed paid wages, the impossibility to estimate correctly the loss of income, or still, the impossibility to control the temporary incapacity of the self-employed person. Moreover, it is being pointed out that the situations can differ strongly between the professional groups. For example, the self-employed farmer who employs a number of workers, will not necessarily lose income when being absent from work due to sickness. A self-employed farmer who works fully on his own account however, has in a similar situation the risk to lose a serious part of his income. However, it is not certain at all whether his final trading results will be influenced negatively.

Summarised the most important bottlenecks that states are struggling with when organising sickness benefits for the self-employed (farmers) are:

- the difficulty to estimate the real loss of income in case of a temporary work stoppage. It is often impossible to establish how much income the self-employed person will lose;
- the difficulty to ascribe the loss of income to the social risk in question. In case of a temporary work incapacity it is, for example, difficult to verify to which extent the loss of income should be ascribed to the work incapacity and not to other external factors (the economic cycle; bad weather); and
- the difficulty to determine to which extent they are not themselves at the origin of the social risk. With self-employed people, it is not always easy to check whether or not they have organised their illness, just as well whether or not they have created their unemployment . E.g. due to bad weather conditions it is possible that the farmer cannot work some days; he might be tempted to ask for a sick leave, as this will assure him anyway some income.

Hence we notice that European states refrain from providing income replacement benefits for self-employed (farmers) who are victim of short term work incapacity or that they apply rather long waiting periods before any benefit is being paid. Others simply pay out low flat rate benefits that have no relation at all with the previously earned income. As the eventual loss of income is difficult to measure some states choose rather to provide the sick self-employed with replacement workforce. In this case it is not so much the loss of income that is being compensated but the loss of manpower. This is especially very common when dealing with farmers. Many states have (compulsory or sometimes voluntary) schemes in place on the basis of which a sick farmer or the farmers' wife during maternity can ask for a replacement force, so that activities can be continued on the farm. With regard to self-employed farmers who get ill on a temporary basis, the loss of manpower is better controllable than the potential loss of income.

Similar to the approach in the sickness benefits, the self-employed women are granted maternity benefits. Yet here as well we come across quite some different approaches: in some states, especially in the Central- and Eastern European countries, female self-employed are covered in the same way as female employees. Not only is the income replacement rate similar to the one applied to wage earners, the period during which the benefits are being paid is most of the time identical as in the employees' scheme. The latter is certainly in sharp contrast with the situation that is in place in many old EU countries. Here shorter maternity periods are being granted to self-employed women; it is being assumed that most self-employed women continue to work during (the major part of) the maternity period.

Finally it should be noted that the parental benefits, which some Central- and Eastern European countries incorporated in the sickness and maternity scheme, are less diversified for the self-employed persons. In Latvia e.g. the discussion is still going on how to apply the paternity benefits to the self-employed persons. In the legislation it is foreseen to introduce gradually a benefit amounting to 80% of gross average insurance earnings and paid for a period of up to 10 days to fathers taking a duty leave related to the birth of a child. As the conditions to take up paternity benefits are mainly shaped around the employee-employer relationship it is legally far from clear

whether this provision might be applied in the future to self-employed persons as well. In most other countries the parental benefits for self-employed (farmers) are rather underdeveloped or simply not existing.

Invalidity

Granting invalidity benefits to self-employed persons is less of a problem than organising a sickness benefit scheme. That almost all countries have invalidity benefits for the self-employed, can probably be explained by the fact that this risk can be controlled much more easily than short-term incapacity.

However, the way in which invalidity schemes for the self-employed have been organised, varies considerably. Most countries have integrated the invalidity benefits into the pension scheme. Other countries on the contrary have introduced a special invalidity scheme or join for this risk the health insurance. The dichotomy that can be found in the European pension schemes (fixed basic allowances versus allowances related to the income) is usually found here as well.

Still, the hesitation that characterised the grant of sickness benefit to the self-employed, can also be met here. Most countries will only grant an invalidity benefit in case of total invalidity. Only some countries (Denmark, Sweden, Finland, and most of the Central- and Eastern European countries) use the concept of partial invalidity, which is applied in the same way to the self-employed and to the workers. Italy and Portugal also have partial invalidity but require that the capacity to earn income of the self-employed be at least reduced to 1/3, which is a rather severe condition. In Austria, one has to be declared permanently disabled for all work for at least 50%. Countries that recognise partial invalidity, are confronted with many problems in determining to which extent the decrease in capacity to earn is caused by the work incapacity or by other, viz. economic, factors.

Labour accidents and professional diseases

Mostly, the social security systems do not grant special benefits to the self-employed who are victim of a work accident or an occupational disease. The employment injury

and occupational disease schemes mainly find their origin and justification in the work relationship between employer and wage earner. For that reason they are seldom extended to the self-employed population. In systems that do grant such benefits to the self-employed, one can notice that the scheme for accidents at work and professional diseases has often been structured around the professional groups, regardless of the qualification as self-employed person or as a worker in terms of social security. Thus, it is less important whether one is worker or self-employed, but more whether one belongs to the professional category in question. The system is also frequently opened up for the self-employed who do mainly manual labour (such as e.g. farmers) and do not enjoy sufficient cover in the general system for work incapacity (cfr. Poland for the latter situation).

Unemployment

For many people, already the idea of an unemployment benefit for the self-employed (farmers) should not be discussed. Being self-employed implies accepting a risk. If the economic cycle turns out badly for the self-employed person, then he/she has estimated that risk wrongly and then he/she should cope with the consequences himself. Furthermore, it would be impossible in practice to organise such an unemployment scheme for the self-employed, because it would be impossible to determine whether or not the self-employed person has organised his/her unemployment him/herself. Estimating the loss of income is less problematic; if the self-employed persons stop all professional activities definitively, then the loss that is suffered can be calculated on the basis of the previously earned income.

That it would be practically impossible to organise an unemployment scheme for the self-employed, can easily be contradicted by referring to a number of systems that are in force. Countries like Luxembourg, Denmark, Sweden and Finland, Lithuania, etc. have a full-fledged unemployment insurance for self-employed people. Furthermore, certain countries have schemes in force that compensate partially the stopping of activities and that are closely related to the unemployment insurance in terms of their

contents. Lastly, in some countries the unemployment assistance takes care of the self-employed that have definitively stopped their activities.

However, the key to the “successful” implementation of a unemployment scheme for self-employed people, is the specific design meeting the specificities of the self-employed group. All conditions should be stipulated in relation to the particular working situation of the self-employed in general or the farmer in particular. An unemployment scheme for the self-employed thus turns out to be not impossible. Essential conditions are the complete stopping of the business activities and the willingness to be available for the job market. The condition that the self-employed cannot be held responsible for the unemployment, is not always asked so explicitly (sometimes the fraudulent bankruptcy being sanctioned). At first sight, this seems a major difference with the unemployment schemes for workers. Still, the requirement of the involuntary unemployment should be put here into perspective as well. For example, the voluntary of ‘blameable’ dismissal often results in an allowance as well, be it that benefits are suspended for a certain period of time.

Next to that many specific schemes have been introduced for self-employed people covering unemployment or sometimes the “temporary” stopping of activities in a very particular way, but maybe fitting in very well with needs of the self-employed (farmer). Special unemployment schemes can be found in the scheme for damages in the harvest in Greece and the scheme for professional retraining in Portugal. The former scheme grants farmers a temporary allowance compensating the loss of income resulting from damages in the harvest caused by bad weather conditions. The second benefit is related to a detailed project of retraining that is presented. Some of the specific schemes cover even the risks of work incapacity and unemployment together. Two (former) Dutch assistance schemes are interesting in this respect: the *IOAZ* (the ‘Provision of Income for older and partially disabled former self-employed’) and the *Bbz.*, (the ‘Resolution assistance for the self-employed’). The *IOAZ* applies to the self-employed who are partially disabled²⁴ with the consequence that they cannot pursue their activities, or who are at least 55 years old and have had

²⁴ The benefit provision for partially disabled self-employed persons has been phased out at the end of 2005, this due to the changes introduced in the general work incapacity schemes which affected also indirectly the self-employed persons.

to stop their business or self-employed profession because of insufficient income. The persons concerned are granted a benefit in the form of a supplement to their monthly income, to the level of the legal minimum (with differentiation according to their family situation). Furthermore, there are some conditions with regard to the professional career of the persons in question: the former income should not exceed a certain level and the business should be stopped completely. The (partially) disabled self-employed are granted the benefit even when they have the possibility of continuing their business as long as their incomes do not exceed a certain limit. Those self-employed should however enjoy a partial benefit on the basis of the work incapacity scheme. The Bbz. in its turn grants the self-employed assistance when the self-employed cannot obtain financial help from the banks any more. The business or the self-employed profession should however be viable. In contrast to the income providing law, here the aim is not to stop the business. On the contrary, one tries to (partially) overcome the financial risk of the self-employed. The provision grants a livelihood benefit during a certain period. Here as well, the self-employed income is increased by supplementary financial means. In respect to these Dutch schemes, we want to point out that the consequences of work incapacity are treated together with other forms of financial difficulties forcing the self-employed to stop their business. In other words, the business risk is covered here regardless of the cause of the financial problems of the self-employed :work incapacity, economic setback or even just old age. The scheme structured within social assistance comes rather close to the generally applauded micro-finance on which small farmers in third world countries can rely upon with increasing success.

6.2.3. Some conclusions

The approach followed by Macedonia, Serbia and Albania in the coverage of the contingencies of work incapacity and unemployment is not so much different from

that of the majority of other European states. In general the countries opted for not covering or only partially covering the short term income replacement benefits in case of sickness and unemployment. Labour accidents and professional diseases do partially, and sometimes fully cover the self-employed farmers. Strangely enough the specific situation of the farmer is not always well taken into account for the application rules. E.g. how should one delineate precisely the ambit of the accident taking place between the residence of the farmer and the workplace of the farmer for the application of the labour accidents' scheme?

Not much more need to be said here. Only in case the political basis and/or financial basis is present to incorporate self-employed farmers for the contingencies of sickness and unemployment, one key-issue should be closely followed up: a bad policy is to copy simply the existing schemes of the wage-earners. Especially for short term income replacement benefits, the relation to the employer is a crucial one when designing the sickness and unemployment schemes for employees. That is their caveat. Yet self-employed people work differently and an adaptation of the conditions towards the specific working surroundings of the self-employed is more than crucial if not to say quintessential. This can result in the design of schemes, typical of their own. Maybe it does not make much sense to organise an income replacement for farmers in case of sickness or unemployment, but would the introduction of an appropriate scheme guaranteeing replacement workforce be more useful; the same goes for the introduction of a temporary coverage in case of damages occurred due to bad weather, or the granting of small loans when the farmer is facing for a longer period some financial crisis (and cannot be served anymore by the commercial banking instances). Such schemes though demand an innovate approach and thus not a mere copying of what is already in place for other professional groups.

6.3. Health care, care and family benefits

6.3.1. Cost compensation schemes covering health care, care and family benefits for farmers in Albania, Macedonia and Serbia

Albania

A combination of a public health care system and a health insurance is in place. Public Health Care provides preventive care visits and examinations for diagnostic purposes by a specialist, hospital health care and other services determined by law, such as emergency services. First aid emergency services in unusual cases as accidents and natural disasters shall be organized by municipalities and communes with government support to their financing.

Compulsory health insurance reimburses part of the drug's price purchased in an open pharmaceutical network (on the basis of an essential list approved by Council of the Ministers decision). The size of reimbursement is to be determined by tariffs to be declared each year by the Council of Ministers. Health insurance reimburses the expenses of services received from a general practitioner or family doctor for all citizens in Albania. In this category are included all physicians of the villages and cities. Services from a general practitioner or family doctor include the visit and the treatments performed by a general practitioner or a family doctor. Finally, health insurance reimburses part of the expenses of all examinations, medical treatments and consultations approved by Council of the Ministers decision. The insured persons benefit from the health insurance scheme from the first day of coverage; he/she is not to pay the service provider (barring a small own contribution). The service provider is paid by the health insurance.

A separate family benefits scheme is not in place nor is there a specific care scheme. Both benefits are structurally incorporated in the general social assistance and welfare scheme which is primordially focusing upon family support. Families lacking means receive social assistance; the fact that one has children in general, or children in need (such as handicapped children) can have an effect upon the size of the benefit. Specific child care benefits are not being foreseen. Care services are mainly institutionalised.

Macedonia

Every citizen of the Republic of Macedonia is entitled to health care in accordance with the Law on Health. This covers as well the farmers.

Health care is easily accessible to the population because it is carried out by a wide network of health organisations. The appropriate geographic distribution of health care institutions provides approx. 90% coverage of the population who can receive medical assistance. Organisationally, medical centres include hospital and out-patient services as well as some primary health care infrastructure. Health centres provide the delivery of primary health care and partially out-patient and polyclinic secondary health care, e.g., through ophthalmologic, internist, and/or other services. The primary health care though is the basis of the overall health system and provides basic health care at municipality level. Health care is also delivered by private health care organisations which most often are established as primary health care practices or as specialist practices. The number of private hospitals that provide secondary health care is very small.

Considering the small territory of the country, the health care is relatively accessible to the population, except for the mountainous regions where due to poor roads and distance from the existing out-patient clinics, there is a need for delivery of primary health care to the local population.

The health care funding is organised as a system of compulsory health insurance managed by the Health Insurance Fund. In 2000, the Health Insurance Fund has been separated from the Ministry of Health. The Health Insurance Fund is mainly funded by salary contributions. The new Law on Health Insurance was adopted, as well as the secondary regulations pertaining to the capitation as a payment mechanism for PHC physicians, the payment of participation by beneficiaries, and the priority programmes (covering both the uninsured and the insured persons). These regulations were designed to improve the fiscal control over the payments of the primary health care and to increase the revenues collected from the beneficiaries, which will provide protection for the poor and the patients with chronic diseases.

The primary health care reform increased the possibility for the selection of a doctor by the patient and established a system of payments to private doctors on the principle of capitation. By the adoption of secondary legislation on the payment of capitation in the primary health care, payment of participation, and the priority preventive

programmes, progress has been made in these areas. Five hundred private doctors have signed contracts with the Health Insurance Fund to be paid on the capitation principle.

When a person has no appropriate living conditions at their family's place or when a family is not in a position to take care of a family member, a possibility for permanent care and accommodation thereof is being taken into consideration.

Public and private institutions for social welfare and foster families are the resources for the aforesaid care. There are 11 public institutions accommodating 1.540 beneficiaries in the Republic of Macedonia. Care is thus mainly provided through public services.

Child benefit is provided as allowance for covering part of the expenses for the raising and the development of a child.

The procedure and the method of entitlement to the right to a child benefit, as well as the amount of the child benefit are regulated by the Law on Child Care.

One of the child's parents who is a citizen of the Republic of Macedonia with a permanent residence attains the right to a child benefit for a child being a citizen of the Republic of Macedonia and attending full time education in the country; furthermore one is insured for family benefits in cases when one is: employed; beneficiary of a pension or of a permanent financial benefit; beneficiary of an unemployment benefit for which financial compensation is being received; a farmer who is tax payer for a revenue from agricultural activity as the only and main occupation; or an artisan who is in business of an old craft or a craft in short supply.

Furthermore, the material situation of the family is assessed according to the total revenues and income of the family for the period of the previous year and the number of the family members. The income assessment is differently organised for the various granted benefits.

Serbia

Medical care benefits in kind are provided within the health insurance scheme according to the Law on Health Insurance. The law doesn't prescribe any minimum insurance period required for obtaining medical treatment. Medical care is provided to all persons who fall under the personal scope (as described already above), meaning in general insured persons and their family members as well as persons who are entitled to permanent cash benefits from the social protection scheme. Besides medical services these persons are entitled to dental care; medicines; medical rehabilitation in medical institutions and in spas; prosthesis, orthopaedic aids and other helping devices; cash compensation of travelling cost linked with the utilization of medical treatment.

For several years the Republican Institute for Health Insurance has prescribed co-payment (participation) by the beneficiaries of particular public health services. These revenues are not recorded in the business books of Republican Institute for Health Insurance, but are directly used by public health institutions. Participation fees are insignificant and therefore, they are not contributing much income for the public health institutions.

In the Republic of Serbia a private health sector also exists, but in considerably less proportion to the public health sector. The private sector is not included in the system of health insurance. Under the conditions of outdated and ruined equipment and premises of public health institutions, of a lack of means for the purchase of medicines, medical supplies and standard nutrition of patients in the institutions that provide in-patient treatment, the health services provided by the majority of the public health institutions are at rather low level. In some cases these institutions are even not able to provide a certain service to the insured. That is the reason why patients are frequently invited to pay for services in the private health sector; consequently this creates a considerable burden for the patients.

Finally within the health care scheme the reimbursement of funeral expenses from health insurance scheme is prescribed for employed persons, persons receiving unemployment cash benefits and pensioners as well as for the members of their families. In practical terms this means that self-employed and farmers are excluded from this right within the health insurance scheme

In case of birth an allowance is being paid. It can be obtained by a mother who is citizen of Serbia (with residence in Serbia), health insured in Serbia and caring for the child. A benefit is paid in the amount of 70.967 Dinars for the second child; 127.735 Dinars for the third child; 170.311 Dinars for the fourth child. Additional eligibility conditions are that the children are not accommodated in a social protection institution, or by another family or have been given in adoption. Furthermore, child allowances are being granted as well. To this benefit are entitled: one of the parents, adopter, trustee or sustainer who is citizen of Serbia (with residence in Serbia), health insured in Serbia and caring for the child. Benefit is paid for the first four children (not for the fifth and so on). Children must be younger than 19 years of age and at school within the system of education in Republic of Serbia. The benefit is conditional upon census - monthly income per member of the family. This census is more favourable determined – i.e. higher monthly income per member of family is prescribed²⁵ - for parents (adopter, trustee or sustainer) who are farmers.

Households owning more than 2 Ha. of land per household member do not qualify for child benefit. The amount payable is higher for a single parent, households with a mentally challenged child, and children with a carer or a foster parent.

Finally, compensation of Kindergarten costs can be obtained in case children are left without parental care or in case of handicapped children.

6.3.2. Cost compensation schemes covering health care, care and family benefits for farmers in the European social security systems

As a rule self-employed people enjoy the same coverage as workers in terms of health care, care and family benefits. This can largely be explained by the fact that these social security schemes are not related to labour. It is being increasingly strived at to guarantee the access to health cover to all residents, whatever their professional status.

²⁵ In case a household owns more than 0.5 Ha., the annual income generated by the Land Registry, divided by 12 months, shall not exceed the census determined by the state in quarterly terms.

Professional origins shouldn't play a role either when it comes to shaping a social family policy. Most of the European states, if not all, insert themselves into this line of thought with regard to the self-employed persons, making no exceptions either when it comes to farmers. Hence the group of self-employed (farmers) has basically the same entitlements in the health care and family benefit schemes as other (professional) groups of persons, barring some minor differences. For instance the scheme for employment injuries and occupational diseases provides in some occasions better health coverage than the general health care system. Self-employed people generally do not fall under this scheme; as a consequence they are not entitled to this more advantageous health protection. On the other hand, in some countries such as Germany, Italy and Spain farmers are protected for labour accidents (together with other self-employed person who do a lot of manual labour, e.g. craftsmen). Yet these are rather exceptions. Due to the lack of subordinate relationship with an employer, most countries refrain from introducing self-employed into the schemes of labour accidents and professional diseases.

As far as the family benefits are concerned, it can be noticed that some central- and Eastern European countries organise a parental leave scheme. The latter scheme is then often designed in a less diversified way for self-employed people as for other categories of workers.

6.3.3. Some conclusions

In the envisaged countries no major differences were found in the coverage of health care, care and family benefits between the professional groups. Farmers are theoretically thus protected in a similar way as other self-employed people; moreover there are no major differences in the coverage between self-employed and wage-earners. In practice though, farmers may face another kind of "discrimination". As they are living in the rural areas, they may face a health infrastructure which is not always very well developed. As such this has nothing to do with farming, but with the difficulties which health care systems face to guarantee a basic health care supply all-over the country. States facing financial constraints are sometimes tempted to invest

more in the health care in the larger cities than in the countryside. Moreover, health care practitioners are not so eager to practice medicine in regions where it is difficult to live.

Another indirect issue is related to the family benefits structure: as far as benefits are provided they seem to be very much targeted: only the needy families should become entitled. One should dare to question though whether in practical terms the benefits really end up with the most “deserving” families. In case it is very difficult to assess or master the incomes of the working populations, and especially of the self-employed people and farmers, one cannot but have doubts on the effectiveness of the followed family policy targeting the most needy. In case one wants to uphold such policy, one should have a better developed tool to assess labour incomes. Coming back to the farmers, an assessment basis indicating the potential earnings, could be of additional use here.

6.4.. The role of social assistance in farmers’ protection

As previously outlined, we are not intending to give an overview of the social assistance schemes in place. As such no specific schemes for farmers are in place. The general social assistance is of a kind that it covers all persons residing or living on the territory who are in need of support in order to live a human life. They are not related to a professional situation, hence they should not be analysed in detail when dealing with farmers. Of course a social assistance office who is dealing with a farmer in need will have to take into account the living reality; practically speaking one will need to take into account the farming exploitation (in order to assess the needs of the concerned farmer). As such this has nothing to do with farming but with the need for skills enabling social assistance workers to assess a persons’ living situation.

Some remarks are to be made though. In relation to the social protection of the farmers, I encountered some proposals to make social protection voluntary for the farmers. As the countries are facing so many problems with the group of farmers, it is

maybe better not to have them protected at all, so do some think. Such a policy however will not resolve the problems. Earlier on we advocated ourselves to make a differentiation between professional farmers and small land tenants. The idea here is not to throw the small farmers out of social protection. It is rather that both groups are different and need a separate approach in covering them in social security. In other words the option was not to have the easy and strong group protected and the small and difficult group thrown out of protection. No, the basic reflection is that all of them should be inserted but the tools to do so adapted to their specific working and living situation. Moreover the Serbian system where family members of the farmer can voluntarily opt in showed clearly that it is not solving the problem. The helping family members who do not step into the system, are not socially insured anymore (besides an indirect coverage for health care, on condition that they live together with the farmer). As a result these persons, and maybe the whole family, will at the end of the day become dependent upon social assistance. Whether this policy is more effective is very doubtful. Farmers who are not socially insured will not pay anymore for their social protection as they are not obliged to do so. Furthermore one can expect a similar attitude with regard to the taxes. They will try to pay as little as possible. As soon as problems arise (e.g. when facing the occurrence of a social risk) they will turn to social assistance, which probably cannot refuse to deal with them. At the end of the day, the farmer risks to be pushed into poverty (when old, sick, handicapped, unemployed, etc), the social assistance scheme facing a growing number of people relying upon their services, and a growing need for financial needs to address this coverage. The latter, the financing of social assistance, comes from the local and/or central budget to which farmers hardly contribute. Keeping farmers out of the social insurance system will thus create a complete irresponsible behaviour, which from a financial side will be even creating a bigger disaster than what countries face now when protecting farmers.

Ireland some decades ago faced a similar problem. The system of social insurances did not protect on a compulsory basis self-employed people (so nor self-employed farmers). They could enter on a voluntary basis but most of them did not do so in reality. It turned out that almost 90% of the elderly who relied upon social assistance were previously self-employed people. This old age assistance cost a lot to society as the financial means were raised from the local and central budget, to which apparently

self-employed people in that period hardly contributed. In the 1990s the Irish government gradually forced the self-employed to be socially insured (starting with the old age pension, and slowly moving to a full insurance coverage). Politically speaking the government felt that it was about time that self-employed paid for their own social protection and that a policy where self-employed were depending upon social assistance was not a sustainable one and moreover was not acceptable for society. A small side remark is that the self-employed people did not take up private insurances either, although they could have done. Apparently this was not due to a lack of financial means as the insertion of the self-employed group into the public social insurance did not turn out to a major collapse of the self-employed businesses.

Keeping farmers out of the social insurance and opting for a voluntary insurance is simply no option. This is true as well for the approach where one introduces a “basic” protection, on top of which self-employed on a voluntary basis can insure themselves additionally. The danger with such an approach is that self-employed will not insure themselves additionally (they rather will try to make financial reserves for themselves); at the same time they will try to contribute as little as possible to the compulsory scheme as the turn-out for them will always be the same, the basic benefit. Hence there is a second basic rule when creating a statutory social security schemes for self-employed in general, and farmers specifically: it should be transparent and rewarding at the same time: each cent paid into the system should have a return, be it of course that for redistribution purposes, one should give a higher return for people with low incomes, compared to persons with high incomes. Summarising: it is no option to exclude farmers (nor small land tenants) from social insurance; secondly in order to implement successfully a system, it should not be reduced to a kind of a basic protection but a transparent one, in which the higher declared income should have a return in a higher benefit. This means that the room for voluntary insurance is, certainly in a first phase, to be kept rather restricted. Otherwise the stronger groups will try to get out of the statutory social security system, in favour of the private sector. The statutory system should be rewarding as well for the better-off.

Another issue in relation to social assistance is related to the question what to provide in case a farmer or a small land tenant is facing problems to pay into the social

insurance system. Earlier on, we mentioned that farmers could be helped on a temporary basis by the social insurance system itself. Yet in case one has more structural problems obstructing a payment to the system, the question is what to provide as service? A farmer who economically speaking is not able anymore to run his farm, should better stop the farming activity. The protection he then possibly receives (whether this is social assistance or in a first period an unemployment benefit) should enable him to participate in the social insurance. In other words benefit should be of the kind that contributions are still made for the other schemes (health care and pensions in particular). A small land tenant who is not able to pay his contributions to the system cannot be exempted (as there is no “hard” activity which social insurance could use as a guarantee). Hence the small land tenant will have to address social assistance to receive support, including the payment of contributions in the social insurance. In relation to this an assessment will have to be made of the means of the concerned family. In other words the “service” provided is not only related to an income guarantee, but including as well a coverage in the health and pension insurances. Furthermore, it should not be denied that the assessment done by social assistance will contribute to the income control: social insurance, tax and social assistance should work together in this respect.

6.5. The interrelation between social policy, tax policy and agricultural policy

One of the difficult issues in relation to the social security of farmers is that often other policies interfere in the social security system. For one or the other reason, a country can decide to support the agricultural sector (or parts of it). This can e.g. be for reasons of self-sustainability (a country not willing to become depending for nutrition upon other countries) or because of labour market reasons (supporting the profession of farmer) or even for competition reasons (providing subsidies so that products can be exported at a low price).

It is not the place to assess the merits and deficiencies of such agricultural policies, but one thing should be clear: it is a bad policy to make use of a social insurance system to pursue such agricultural policies. Some of these policies might even have an adverse effect. “In general terms, there are concerns over the balance in government funding between protection and promotion. The fear is that poverty reduction through

regular payment such as social pensions may not be sustainable as that achieved through growth, since it draws on public funds in an open ended fashion. There are also concerns that excessive allocations to transfers may reduce the volume of funds available for investments in support of growth. Where transfers are high there is a concern that they will either act as disincentives to work or reduce the scope for public investment, or both. As a general hypothesis, we suggest that policy options at the extreme end of the protection spectrum are likely to do nothing for growth, and may be even detrimental to it”²⁶. Providing simply social protection will not always serve other goals. In other words, a policy of protection which consists e.g. in reducing the contribution rates and providing basic social protection so that the existing farmer population can be kept a live, will probably not have the intended results of economic growth. Possibly the farmers will install themselves in the protection granted and will not feel the drive to perform economically better and/or to unveil their income. Moreover, there is the even bigger danger that the social protection system itself might implode on the basis of such an approach; the social insurance system has some dynamics and hidden logics, especially in case of self-employed people and farmers. As soon as one, in the framework of an adjacent agricultural policy, starts to introduce all kinds of measures of support, one risks to upset the whole framework of the insurance system. For instance one can decide to provide a preferential tax treatment to farmers: taxing them on fixed low incomes. As a consequence, when tax figures are used for social protection reasons, the farmer will pay as well low contributions for his social insurances. When high benefits (at least in relation to the declared tax income) are paid out, the system will go bankrupt within a short notice and hence support from the government will have to be asked. Consequently the latter might decide to cut down benefits, resulting in no support anymore of the farmers towards their social insurance system.

Hence here as well a transparent approach should be applied. In case one wants to support farmers it may be better not to do it through the social protection system; and doing it in adjacent fields, one has to be aware on the effects this may have on the social insurance system. Not taking care of this in proper way, may undermine the social security system within no time.

²⁶ J. FARRINGTON, a.o., “The search for synergies between social protection and livelihood promotion: the agriculture case”, 2004, London, Overseas development institute.

7. Executive summary

A. Summarised but also somewhat systematised, the research concludes that the three involved countries should pay attention and/or take proactive action regarding the following issues in the field of the social protection of their farmers

1. Concerning the definition of the group, the delineation of the group in the personal scope of the social security schemes and the financing of social security

It should be made possible to become subject to social security legislations as farmer, even when the farming activities are being performed simultaneously with other professional activities (e.g. as wage-earner or as self-employed person). The regulation of the personal scope in which a person cannot be considered as farmer for the application of social security legislation, when he is at the same time working as a wage-earner or in another self-employed position should be reassessed. More precisely, one should introduce the principle that contributions are to be levied upon the total revenues a person is earning on the basis of his/her combined professional activities. Similarly, it is to be preferred that the combined incomes from the several professional activities should have a return (be it of a degressive nature) in the eventual income replacement benefits, making it more likely that persons in a self-employed position will become invited to unveil their professional incomes. Technically speaking this should not be so problematic taking into account that the concerned systems operate on the basis of a general social security system, in which all working groups are being insured; and even for the Serbian pension scheme, where one works with categorical pension schemes, built around the groups of respectively, the wage-earners, self-employed people and farmers, this shouldn't be too problematic as the underlying rules are similar for the three groups.

Consequently the three countries should drop in their legal definition of farmer the “negative connection to the other professional statutes”; in other words the provision that a person can only be farmer when he is not having yet another formal position in the social security legislation as worker, should be deleted. On the other hand the definition of who now exactly can be considered to be a farmer should be improved. It has to be made clearer what the performance “agricultural activities” stands for. This improvement of the definition is especially needed to make sure that specific rules designed for the group of farmers are being applied in an appropriate way. If special rules are needed for the group of farmers, one first of all does need to know who they are in reality. Next to a definition of “agricultural” activity, it makes sense that the social security administration structurally co-operates with the department of Agriculture in order to get a concrete view on what kind of agricultural activities are being performed on the territory in practice. This can help the fine-tuning of application laws on the diverse groups of farmers.

2. As to the structure of the social security system in which farmers participate as social insured persons

a. It should be considered to make only specific rules for the farmers when they are needed to address specific working conditions of the farmers. If a special rule finds no legitimate ground in the specificity of the farming activity, it should be reconsidered. At the end, the basic social security rules, both with regard to the financing, and with regard to the benefits should be the same for all working groups, whether they are self-employed, wage-earners, artists, free professionals, farmers, etc; it is only in the application of the basic rules, that specific regulations can and should be made taking into account the specific working circumstances of the group, so that the basic rules fit well all working groups in their working situation.

Although more ambitious as objective, social security systems should strive at providing equivalent coverage for all working groups. This means that farmers should be introduced in the long term in some social security schemes, from

which they are currently left out. At the same time the schemes should be redesigned in a manner that they fit the specific working conditions of the farmer. It has to be acknowledged that such an objective is not always easy to be pursued, especially in relation to the social security schemes covering work incapacity and unemployment, as both of these schemes need quite some adaptation to fit the needs of the self-employed people in general and farmers in specific. Hence it is to be advised that in a short term notice, the pension schemes and the cost compensation schemes in relation with health care and family benefits should equally be developed across all professional groups; once the systems (and the economy at large) become more stable and sustainable, more “fancy” schemes covering unemployment and work incapacity (especially the short term work incapacity and the labour accidents) can be considered to be applied equally upon self-employed farmers, taking at the same time their specific needs into consideration.

b. Secondly, the farmers’ systems should focus upon the real “farmers”, meaning the persons who perform agricultural activities in a way that they intend to earn their living on it. In some of the countries, and especially in Albania, the farmers’ group is composed of the economic farmers and small land tenants, the latter combining their small farming activities with all kinds of side jobs in or out of the country. However a social insurance for farmers will never become properly developed if it has to address as well the needs of small land tenants. Hence, it is being recommended that for the application of the social insurance (applied upon farmers) a minimum threshold of activity is defined (eg. min. 5 ha and equivalent parameters for farming activities based upon the threshold of animals). Furthermore a set of parameters should be developed which enable the social security legislation translating the agricultural resources into an income basis for contributions purposes. With these parameters one can link the agricultural activity to an “assessed income value”, the logic being how bigger the farming activity, how bigger the contribution should be (and at the end the higher the benefit can be). Such set of parameters for indicating the “assessed income value” could also be useful for the situations in which a farmer combines the farming activities with other professional activities, or with an income replacement benefit,

as it will enable the social security authorities to figure out what the potential earnings from the farm are.

The systems at stake already know such parameters to assess farmers' income, be it in a too underdeveloped way (e.g. the fiscal cadastre used for the contribution levy in Macedonia, and the "income" assessment of farmers for the application of the family benefits in Serbia, which is based upon the size of the farm). It is now needed to develop these parameters in a more uniform way in order that they can start to play a crucial role in the development of an appropriate social protection for farmers. It is likely that this will demand a structural cooperation with the department of agriculture. In case this is not desired or not useful the social security services will have to invest themselves in a proper set of parameters measuring the potential economic value of agricultural activities. In the meantime the system can start to work with fixed income levels applied upon the farmers (e.g. the minimum wage as minimum income level upon which contributions are levied; introduction of income scales out of which farmers choose their income level")

The small land tenants need an appropriate social security approach. Taking into account the Model Provisions in the field of social security developed for the Council of Europe, it has to be looked at how families working in the country-side (often the small land tenants) but also in the city who formally do not hold a position as worker, but manage to raise income in one or the other way can be incorporated into the social insurance system. A basic premise of such an approach could consist in the assumption that all family units manage to raise income of a level sufficient to live upon, and hence should pay contributions at least on a minimum level (e.g. the level of a defined minimum of subsistence). If not, they should address social assistance to support them in paying the contributions. Furthermore, persons of these family units working in the "white" economy can under certain conditions have a part of the family contribution deducted from their work contributions.

c. The countries should stay away from the policy temptation to "solve" the problems they face now with the social insurance of the farmers, through social assistance schemes or poverty alleviation schemes. The Serbian case of the co-

operating spouses shows already that by excluding farmers' groups from social insurance no solution of the real the problem will be achieved at the end of the day. Other examples in Europe (such as in Ireland) showed that protecting self-employed (farmers) on the basis of social assistance is not the way to go for. It will cost a lot of financial means and efforts to the social assistance offices for organising such coverage; moreover, it is politically not legitimised to cover a part of the working population through a scheme for which they barely contributed and/or paid taxes during their active life.

Furthermore, social security systems should not be used for objectives pursued by adjacent agricultural or tax policies. Social security systems are too complex and what is more, are depending too much upon equilibriums between contributors and beneficiaries to have them (ab)used by other policies in order to support the farming populations. If you start as a state to grant favours to one group of the population in your social security system, where will you end? This question the policy makers ask themselves the whole time when granting presents to certain groups in society. Creating special rules with the idea of alleviating the costs for a group will bring in the long run bring the financial sustainability of the system in peril.

3. The personal scope

a. Countries like Serbia should reconsider the regulation of the co-operating partners in the farmer's family (who drop out from social insurance). With regard to co-operating children, a maximum age should be introduced for the situation in which these family members are exempted from social insurance. With regard to the spouse (or partner of the farmer in general) it should be considered to have these persons fully included in the social insurance system, as specific rules exempting spouses from direct social insurance protection, after turn out to be discriminatory in their effects against women, and are also contrary to the realities of modern society where we have to reckon that a family is not as stable anymore as 50 years ago.

b. More in general the countries should invest in developing clear rules regarding the delineation of wage earners from self-employed persons. The best policy in making sure that wage-earners do not turn into phantom self-employed who have as their main ambition to escape from the application of the wage-earners' system, is to design a social security system which is of equal value to all working groups. As long as this is not being realised, clear criteria should be established to figure out who is working under subordination as a wage-earner, and who is independently working as a self-employed person. A list indicating work situations pointing out wage-earnings and work situations pointing out self-employment can help all concerned actors to figure out whether one is active as wage-earner or as self-employed person. Next to that it could make sense to install "ruling commissions" that can be addressed preventively in case one is not sure about the nature of the performed work.

c. More in the field of agriculture the necessary effort should go into the proper development of a definition of agricultural activity (see above), and in case it is necessary in the proper development of working definitions of sub-groups in the agricultural sector (fishermen, farmers doing cattle threshold, etc). The sub groups are not to be defined with the purpose of providing another social protection per farmers' group but solely to assure an adapted application of the general rules to the specific needs of the farmers' group.

4. As to the administration

a. To serve the needs of the farmers in the best possible way, one does not need to create a specific categorical system covering only the group of farmers. Also in general social security systems that cover all working people (or even all residents) one can take care of the specific position of the farmer. Most important is that specific rules are developed assuring the best possible application of the basic social security legal principles upon the group (or even subgroups) of farmers and that administrators are appointed who can handle these rules. Ideally a structural cooperation with the department of agriculture is to be developed so that future developments in agriculture are translated in the best possible way in social security legislation (parameters).

b. As to the separate pension fund for farmers in Serbia, it goes without saying that the actual situation cannot be maintained. A “separate” fund which is being subsidised for 85% by the state budget cannot function anymore independently. Apparently the decision has been taken already to merge the three funds, yet it should be considered whether a partial merger (e.g. farmers and self-employed) would not make more sense. Still such a transfer does not mean to leave the social security legislation for the farmers untouched. Even more important than the question whether the fund can operate independently or not, is the question whether one can go on with the actual legal framework which is applied to farmers. Regarding the minimum pension one can put question marks behind the current situation in which farmers are entitled to a minimum pension, the amount of which is higher than the income level on the basis of which farmers in average contribute to the system. The improvement of the contributions is at stake here (see financing).

To put it differently: a pension fund can only survive in an independent way if one manages to work on a more sound financial basis. This will mean that the contributions levy will have to be organised more efficiently (by possibly taking the competence again away from the tax authorities) and that farmers will need to pay in at a higher average level (by focusing upon the economic farmers, by introducing techniques that will unveil easier the income levels, etc). Only with such changes in the financial setting one can think of additional means coming from the state budget (addressing the surplus of costs due to the liberal qualification rules as a consequence of which farmers easily fulfilled the minimum qualifying period) and coming from other pension funds (in case e.g. a solidarity mechanism is being installed between pension funds on the basis of the demographic situation of the respective funds).

5. As to the financing

a. All three involved countries should reform the financing rules with regard to the social security of the farmers. In essence, the rules regarding the contribution basis should be improved. Most of the farmers, if they pay at all, pay in average at the

lowest contribution level. A minimum contribution threshold should be introduced on the basis of which farmers have to pay in principle even when the income of the running year is below the indicated level. By preference this income level is to be established on the basis of parameters that translate the agricultural assets into “assessed income values”. By doing so the “valued potential economic performance” could indicate the level of the contribution.

b. Furthermore transparency should be built into the financing levels and the benefit levels. The basic logic being: the higher one pays in, the higher the eventual benefit will become. Of course for the sake of redistribution, the return rate can become “degressive”, in the sense that higher incomes will have a smaller return compared to the incomes situated around the minimum contribution level. As a consequence, such approach does not tolerate a maximum contribution ceiling.

c. Farmers in difficulties can be supported, but only on a temporary basis. Either one suspends the contribution payment but one keeps as social security authority the right to claim the arrears in a later stage, or, if a system is followed of no retroactive claim, then the periods during which no contributions are paid cannot be taken into account for the insurance record.

6. As to the benefits

a. Regarding pensions, the policy to introduce longer qualifying periods (to become entitled to a full pension) should be continued. When applying a consistent financing system, in which persons always pay in at the minimum level, there is no need anymore for a minimum pension. It should be envisaged how one can do away in the future with minimum pension benefits by guaranteeing a minimum pay in of the contributions. This would mean that persons on benefit (social assistance, work incapacity, unemployment), should pay in as well the necessary contributions to the pension scheme.

On the other hand the benefits should be linked up better with the previously earned income levels to reflect the pursued transparency between financing and benefit. In a way, paying into the system should be rewarded better.

b. As to work incapacity (especially sickness) and unemployment, one should into the possibility of introducing more adapted benefits for the farmers. Now, for sometimes unclear reasons, fragments/parts of these benefits are granted to the farmers without a clear policy behind it. Sometimes a labour accident benefits is granted to the farmer but not a professional disease benefit. And even if the farmer is entitled to a labour accident benefit in case of a road accident (taking place at the occasion of the trip between work and home), it is not specified where the road to/from work starts/ends for the farmer. It is very likely that due to insufficient application rules, the farmer will never see his/her labour accident benefit. Hence one should dare to re-ask fundamentally how farmers should be covered in case of sickness or maternity or (temporary) unemployment. Maybe not through to a low benefit not covering at all the possible income loss (which sometimes one cannot measure at all) but through other measures, such as the sending of workforce, or the compensation paid due to harvest damage in certain specified cases, or the granting of (micro-)loans when one wants to start up business or in case one is facing temporary economic problems. For the moment it is possible that the appropriate development of sickness and unemployment schemes is a too ambitious policy for farmers, taking into account the difficult economic situations; yet when the situations becomes more stable, it can be taken into consideration. At the end it is better to develop something useful to the group than to provide benefits designed for the group of wage-earners, which do not fit at all the specific working situation of farmers and risk not to become applied.

B. So far only three countries have been put under scrutiny for the social protection of their farmers in the CARDS region (i.e. Serbia, Albania and Macedonia). It is very likely that other countries or territories in the region face similar problems and might want to address these as well in a structural manner. Hence it could be reasonable and legitimate to launch a regional project covering the issue of a proper development of a social security system for farmers in the involved SISP countries. If the launch of

such a project would be considered and terms of reference could have to be designed, the following topics (reflecting the afore mentioned conclusions) should be addressed.

- a. An analysis of the social security schemes of the countries which were not yet involved in this study and a refreshment of the analysis above made for the three involved countries (Serbia, Albania and Macedonia)
- b. The translation of the aforementioned conclusions (built around system transparency, full social security cover and specific application of the basic principles on the situation of the farmers) in a national policy plan listing the concrete reforms to be undertaken on a national level to bring the farmers' social security system in line with the conclusions of this study
- c. the translation of this national farmers' policy plan into the national legislative framework of the involved countries
- d. the monitoring of the macro-economic effects which the national farmer's policy plan may have on the national social security systems and/or society at large
- e. The design of a concrete tool which translates agricultural assets into an assessed income value. First this tool can be designed in supra-national way; in a next phase it needs to be fine-tuned for the national farming realities of each of the involved states
- f. An analysis of the needed human resources and administration flows in order to administer properly the social security regulations designed specifically for farmers

To implement this properly one should need to deploy the following expertise (next to a team leader)

- a social policy EU-expert (lawyer, social scientist or economist) able to draft national farmer's policy plans, reflecting the conclusions made in this study
- a lawyer (EU-expert) who is coaching a team of national lawyers who have to translate the national policy plans into their national legislative framework
- national lawyers (one per country/territory) translating the national policy plans into their national legislative framework

- an expert in agricultural and/or social sciences, who has built up experience in the field of social security for farmers, able to design an agricultural value assessment system, translating the agricultural activities into potential income of the farmer
- an expert in economics, knowledgeable in the field of social security, able to monitor the effects of the national farmers' policy plans on the national social security system/society
- an expert (lawyer, economist, social scientist) able to analyse the administrative needs when translating the national farmers' policy plans into administrative reality