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Economic analysis of social services for the elderly in Serbia: Two sides of the same coin☆

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According to demographic trends, the ratio of senior citizens in the overall population of the Republic of Serbia is rising. This generates the need to create socially acceptable and economically sustainable models for the protection of the elderly. The goal of this paper is to stress the necessity of analyzing and evaluating the efficiency of social protection services aimed at senior citizens. The first part of the paper underlines the need for economic analysis of these services; while the second part features the analysis of the two most frequently provided services for the elderly in Serbia: admission to social protection institutions and home care for senior citizens. Based on the research results, the paper also provides a comparative overview of the efficiency of the services mentioned. This overview clearly confirms that both services prove to be economically justifiable from a social perspective; nevertheless, it also indicates that the cost of home care per user is considerably lower than the cost of putting a senior citizen into a nursing home. After presenting and discussing the results of the studies, the paper also offers recommendations aimed at enhancing the development and sustainability of the social protection system for the elderly in Serbia.

1. Introduction

A social protection system, as an integral part of society, should be coordinated with core trends in societal changes. Nevertheless, it should also be realistic in terms of a country's budget. The reformation of a social policy system increases the potential for the use of economic analysis. However, there is a need to increase decision makers' awareness in relation to economic studies, thus helping them interpret study methodology and results.

Long-term care for the elderly represents one of the biggest challenges for developed industrial countries (Hieda, 2012). Population aging and the increase in age-related chronic diseases, combined with changes in traditional care for the elderly provided by their family members, generates a state-level concern about how to provide both medical and non-medical care for senior citizens (Da Roit, Le Bihan, & Österle, 2007). Over the past 20 years, the number of studies focusing on social protection for the elderly has been consistently growing (Baldock, 1997; Brand, Hughes & Challis, 2012; OECD, 2005). Changes referring to long-term solutions aimed at social protection systems are especially present in Eastern European countries (Deacon, 2000) and the Balkans (Bartlett and Xhumari, 2007; Sotiropoulos, Neamtu and Stoyanova, 2003; Stubbs and Zrinščak, 2009); nevertheless, they are also present in developed European countries such as Austria, France and Italy (Da Roit et al., 2007). Serbia, as a SEE country, belongs to the list of developing countries and is characterized by a series of particularities and systems, one of which is its social protection system. The defining characteristics of this system refer to the way in which this system is funded, regulated, tied to the labor market, etc.

Esping-Andersen (1990) introduces, for the first time, categorization according to the social protection regime. The division into regimes was performed in relation to the following characteristics: government program, state of society and political inclusion. Since the mentioned classification and its criteria do not encompass Central and Eastern European (CEE) countries, Deacon (1993) proposes an additional type of protection: the 'post-communist conservative corporatist' welfare regime. It is comprised of six categories in total: post-communist European type (Bulgaria, Croatia, Czech Republic, Hungary, Poland and Slovakia) are in group V. Group VI is composed of developing welfare states

☆ *Notes*: All monetary value is expressed in domestic currency (Serbian dinar, RSD). The exchange rate of the dinar against the Euro equaled RSD 112 for EUR 1 at the moment of calculation.

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(Georgia, Romania and Moldova). The results confirm that there is a significant difference between post-communist and Western welfare states. Serbia was not included in this discussion (Fenger, 2007).

The fact that the data relating to the social protection system in Serbia have not been available to the general public through scientific papers and case studies is confirmed in Genet et al. (2011), a paper that offers a unique literature overview. Namely, it lists and analyzes 74 studies relating to home care services offered in countries worldwide. The authors of this paper concluded that the provision of this type of service differs from country to country and even from one region of a country to another. They stressed that there was insufficient data on Eastern European countries, especially pointing out: Bulgaria, Slovenia, Slovakia, Malta, Croatia, Cyprus, Estonia, Greece, Hungary, Lithuania, Latvia and Romania. The studies on this subject from the said countries are not available as official publications (Serbia also belongs to this list of countries).

Next to the studies relating to changes in the social protection systems for the elderly, there is also research relating to the influence of social protection on senior citizens' quality of life, the influence of the community's care for the elderly etc. (Hughes, Giobbie-Hurder, Weaver, Kubal, & Henderson, 1999).

2. Economic analysis of social protection services

Theory and guidelines advocating the inclusion of social care in economic analyses have, in recent years, been accompanied by developments in the methods for capturing the costs and outcomes related to informal care. Goodrich, Kaambwa, and Al-Janabi (2012) and Yates (2009) provided a brief history of the use of costs, benefits, cost–effectiveness, and cost–benefit analysis in the evaluation of social services. The last decade of the 20th century brought about significant social changes such as the constant pressure to modernize social protection and lower the relevant risks by providing economic and political stability necessary for any country's welfare. According to Lisboan Strategy, the European Union is supposed to strive toward economic development, focusing on increasing its employment rate and social cohesion efforts (Hemerijck, 2011). Lewis and Surender (2004) also believe that the integration of social and economic policies represents one of the main characteristics of social investments. Focusing on children, Esping-Andersen, Gallie, Hemerijck, and Myles (2002) advocate the reallocation of public expenditures from pensions and social insurance to family services, active labor markets, education and training in order to increase the employment rate in today's knowledge-based economy. Alongside, according to the main conclusions relating to the sustainability of a country's welfare, the state, as the main investor in social protection, is supposed to identify social investments based on ROI and distinguish between capital investments and operating expenses, as well as business organization (Esping-Andersen, 2008).

Ponthière (2012) in his discussion of the optimal long-term care policy viewed through economic parameters, i.e. from the standpoint of costs and benefits yielded for the society, stresses that the long-term care for the elderly is a burning issue in all developed economies. Baldock (1997) also stressed the importance of an economic component in social protection for the elderly. According to him, the economy of a country has to support the financing of these services for the welfare of the society as a whole. Deeming and Keen's (2002) perspective on social protection for the elderly is based on the users' purchasing power. Based on conclusions yielded by their research, the financing of these services should be supported by the state.

Aiming to provide economic justification for the social care services, as well as to prove the sustainability of the social care services, financial effects were backed by the introduction of social effects, i.e. costs and benefits these services generate for the society. Economic analysis of the services relied on a cost–benefit analysis, since it proved to be an excellent method for analyzing social investments (Mihic, Todorovic and Sataric, 2011; Rogers, Stevens and Boymal, 2009; Yates, 2009). In his discussion of the distribution of social benefits, Harberger (1978) criticizes the application of cost–benefit analyses for social investment projects to some extent, but recognizes that this method offers a broader and more detailed analysis of benefits for citizens and society in general. Social investment projects most commonly subjected to cost–benefit analyses are the construction of facilities such as hospitals, schools, roads, as well as energy efficiency projects (Mihic, Petrovic, Vuckovic, Obradovic, & Djurovic, 2012). In addition to this, a cost–benefit analysis is used for social protection projects. Cost–benefit analyses of social services are intended to support investment decisions made by government and nongovernmental agencies when it comes to beginning, continuing, or increasing funding for these services. While policy commitments and political imperatives also influence such decisions, there is an increasing requirement for formal cost–benefit analyses even for programs where these have not previously been done (Rogers et al., 2009).

A cost–benefit analysis is also used in the field of medical services and healthcare systems, encompassing both the above-mentioned services at the level of the entire system, as well as the analysis of economic viability of individual healthcare services (Avorn, 1984; Cartwright and Solano, 2003; Diener, OBrien and Gafni, 1998; French, McCollister, Sacks, McKendrick and De Leon, 2002; Jacobs, Lilly, Ng and Coyte, 2013; Johannesson and Jönsson, 1991). The method is also used for the analysis and implementation of social protection services. Goldhaber-Fiebert, Snowden, Wulczyn, Landsverk, and Horwitz (2011) underline the need to apply economic analysis in child welfare. According to them, even economically developed countries, such as the USA, have to use economic analyses, such as a cost–benefit analysis and a cost-effectiveness analysis, due to the number of children (beneficiaries) and the expenses of the services provided. The goal of using an economic approach is to ensure more efficient investments and adequate benefits for children. Lo Sasso, Byro, Jason, Ferrari, and Olson (2012) analyze social costs and benefits of mutual-help community-based recovery homes using net benefits as a parameter. Packard, Delgado, Fellmeth, and McCready (2008) are conducting a cost–benefit analysis of a youth emancipation program. The aim of this program is to provide young adults with higher-level education and salaries, as well as to lower the crime rate and reduce the number of entrants into prison. The authors concluded that the same methodology could be used for similar programs. Greenberg and Robins (2008) use a cost–benefit analysis for evaluating social programs. According to them, the influence of a government policy on a group represents net change in the policy's added value (consumer surplus), rather than net change in incomes. For example, if a social program generates increased incomes due to more working hours, it implies reduced leisure as a non-market influence. When evaluating whether a program is justifiable, the reduction in leisure has to be regarded as a cost. In this paper, the authors developed a methodology for introducing reduced leisure as a category in a non-market (non-commercial) analysis of social programs.

One of the papers focusing on cost–benefit analysis of social protection services for the elderly was written by McNamee et al. (1999). In this paper, the authors quantify the service of supporting frail older people at home in the community. The results of this paper demonstrate that presented cost data can provide information useful to the planning process, enabling more informed choices to be made over the provision of services for beneficiaries.