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## PERCEPTIONS OF THE FAIRNESS OF INCOME DISTRIBUTION IN SERBIA: A COMPARATIVE PERSPECTIVE

### Percepcija pravednosti raspodele prihoda u Srbiji: uporedna perspektiva

**ABSTRACT:** *The paper examines perceptions of the fairness of income distribution in Serbia from a comparative perspective. The analysis is based on data collected under Round 9 of the European Social Survey in 2018/2019. Perceptions of the fairness of personal income in Serbia are compared with those from three post-Yugoslav countries (Montenegro, Croatia and Slovenia) and three developed capitalist countries (Germany, Sweden and the United Kingdom). The research findings indicate that the vast majority of Serbian citizens perceive their personal income (gross and net pay, pensions and social benefits) as being unfairly low. From a comparative perspective, it is noticeable that the perceived fairness of income distribution is influenced by a contextual variable that combines the effects of economic development, degree of income inequality and path dependency. Income from work (gross and net pay) is more often perceived as unfairly low in the post-Yugoslav countries of the Western Balkans (Serbia and Montenegro) than in the post-Yugoslav countries that are members of the European Union (Croatia and Slovenia). When it comes to perceptions of the fairness of pensions and social benefits, the two groups of the post-Yugoslav countries do not differ from each other. All types of income are more likely to be perceived as unfairly low in the Western Balkan states than in the developed capitalist countries.*

**KEY WORDS:** *perceived fairness of income, gross and net pay, pensions, social benefits, Serbia, European Social Survey*

**APSTRAKT:** *U ovom radu se ispituje percepcija pravednosti raspodele prihoda u Srbiji u uporednoj perspektivi. Analiza se zasniva na podacima prikupljenim u 9. rundi Evropskog društvenog istraživanja 2018/2019. godine. Percepcija pravednosti*

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*ličnog prihoda u Srbiji se upoređuje sa percepcijom u tri postjugoslovenske zemlje (Crna Gora, Hrvatska i Slovenija) i tri razvijene kapitalističke zemlje (Nemačka, Švedska i Ujedinjeno Kraljevstvo). Nalazi istraživanja ukazuju da velika većina građana Srbije percipira svoj lični prihod (bruto i neto plate, penzije i socijalna davanja) kao nepravedno nizak. Iz uporedne perspektive je uočljivo da je percipirana pravednost raspodele prihoda uslovljena kontekstualnom varijablom koja kombinuje efekte ekonomske razvijenosti, stepena nejednakosti prihoda i zavisnosti od pređenog puta. Prihod od rada (bruto i neto plata) češće se doživljava kao nepravedno nizak u postjugoslovenskim zemljama Zapadnog Balkana (Srbija i Crna Gora) nego u postjugoslovenskim zemljama koje su članice Evropske unije (Hrvatska i Slovenija). Kada je reč o percepciji pravednosti penzija i socijalnih davanja, dve grupe postjugoslovenskih zemalja se međusobno ne razlikuju. Sve vrste prihoda se u državama Zapadnog Balkana češće doživljavaju kao nepravedno niske nego što je to slučaj u razvijenim kapitalističkim zemljama.*

**KLJUČNE REČI:** *percipirana pravednost prihoda, bruto i neto plata, penzije, socijalna davanja, Srbija, Evropsko društveno istraživanje*

## Introduction

Over the past four decades, income and wealth inequalities in developed capitalist countries have increased significantly (Piketty, 2014). At about the same time, postsocialist societies have experienced significant increases in income inequality during their transitions from planned to market economies (Milanovic, 1998). After the period of remarkably turbulent postsocialist transformation and capitalist consolidation, Serbia numbers among those European countries with the highest income inequalities. The Gini coefficient<sup>3</sup> of equalised disposable income<sup>4</sup> in Serbia is higher than in other post-Yugoslav countries and is also higher than the European Union (EU) average. This is an important issue because high inequality in income distribution is harmful to economic growth and represents a potential source of social and political instability.

The paper examines perceptions of the fairness of income distribution in Serbia in a cross-country comparative perspective. The empirical basis of the analysis consists of data collected under Round 9 of the European Social Survey (ESS) in 2018/2019. The perceived fairness of income distribution in Serbia is compared with perceptions from three post-Yugoslav countries (Montenegro, Croatia and Slovenia) and three developed capitalist countries (Germany, Sweden and the United Kingdom). These seven countries were grouped into

3 The Gini coefficient is a measure of income inequality that ranges from 0 to 1. A higher value indicates greater income inequality.

4 Equalised disposable income refers to the total household income, available for spending or saving after taxes and other deductions, divided by the number of household members converted into equalised adults (by weighting each according to their age) (Eurostat: Statistics Explained, 2021).

three categories: post-Yugoslav countries in the Western Balkans,<sup>5</sup> post-Yugoslav countries that are members of the EU<sup>6</sup> and developed capitalist countries. Examining perceptions of the fairness of income distribution in a cross-country comparative perspective provides insight into the effects of contextual-level factors on attitudes to the fairness of income distribution.

## Conceptual Framework

Most people consider fairness to be an important issue in different contexts of social interaction. They usually perceive four interrelated aspects of fairness: a) the rules and social norms governing the allocation of resources (distributive justice); b) the procedures applied in decision-making processes (procedural justice); c) the way people are treated in interpersonal relations (interpersonal justice); and d) the manner in which the information is provided during the implementation process (informational justice) (Peiró, Martínez-Tur and Moliner, 2014: 4694). These four facets of perceived fairness have been found to influence human reactions, as well as psychological well-being more broadly.

Distributive justice refers to the perceived fairness of the economic outcomes of social exchanges. Perceptions are based on multiple comparisons. First, people compare efforts they have personally invested in pursuit of particular results with the benefits they receive in return. Additionally, they compare their own ratio of costs and benefits with the same ratio of other significant actors (Peiró, Martínez-Tur and Moliner, 2014: 4694). Distributive justice is achieved if an equilibrium exists between the efforts and benefits of all actors. This kind of perceived fairness is particularly important in work relations and income distribution.

Nevertheless, primary income distribution might be corrected through redistributive policy measures that involve an unrequited transfer of resources from one group to another. The motives for redistribution include three conceptually distinctive rationales: a) the pursuit of social justice as an ethical imperative that transcends the self-interested preferences of economic actors; b) the achievement of mutually advantageous efficiency gains through distributional fairness and equity; and c) the exercise of the particular interests of political groups who use the coercive power of the state to redistribute resources towards themselves (Boadway and Keen, 2000: 679–680). Various combinations of these rationales may occur in practice.

There are many policy instruments for income redistribution intended to reduce market income inequalities. Taxes derived from gross earnings and transfers provided by the government play a crucial role in the politics of redistribution. It is usually thought that progressive taxation<sup>7</sup> itself has an

5 The Western Balkans is a political category that refers to the countries of the former Yugoslavia which are not members of the EU, plus Albania. Serbia and Montenegro are the only post-Yugoslav Western Balkan states that have participated in Round 9 of the ESS.

6 Slovenia joined the EU in 2004 and Croatia in 2013. No other post-Yugoslav country is a member of the EU.

7 A tax system is progressive if tax rates rise with income.

equalising redistribution effect and it is often neglected that fiscal transfers also contribute to the level of income equality or inequality. Although cash transfers are very unlikely to be disproportional in favour of the rich, this is not the case with all benefits provided by the government – subsidies, contributory pensions and spending on tertiary education are sometimes redistributed to the higher social strata (Enami, Lustig and Aranda, 2018: 70). Therefore, the difference between the level of pre-tax and post-transfer income inequality reveals the real effects of policy instruments on the achievement of distributive justice.

Finally, although perceptions of fairness at the individual level are profoundly important, it should be noted that collective perceptions are not simply the sum of perceptions of the individual members of society. People sharing the same reality of systemic unfairness are able to adopt perceptions and interpretations dominant in their own group, developing a specific “climate of fairness” (Peiró, Martínez-Tur and Moliner, 2014: 4695). Furthermore, the fairness of a particular situation is evaluated according to existing norms and standards that have prevailed in a given society for a period of time. Thus, the social context of perceived fairness, including not only contemporary circumstances but also long-term historical processes and path-dependent experiences, must not be neglected in analysing how fairness is perceived.

## Contextual Framework

Although perceptions of fairness do not necessarily reflect the objective situation, the perceived fairness of income distribution is largely influenced by contextual-level factors such as economic development, degree of income inequality and path-dependent experience. In order to better understand perceived fairness as a subjective category, it is important to consider the objective circumstances in the analysed countries. This section will present income inequalities in Serbia, starting from the breakdown of the socialist system and ending with the currently ongoing consolidation of the capitalist order. This will be followed by discussion of income inequalities in the three post-Yugoslav countries (Montenegro, Croatia and Slovenia), as well as in the three developed capitalist countries (Germany, Sweden and the United Kingdom). Finally, the countries will be ranked by Gross Domestic Product (GDP) per capita and the Gini coefficient of equivalised disposable income, both for the year in which empirical data collection under Round 9 of the ESS took place. Several hypotheses will be derived from the contextual framework.

### *Income Inequalities in Serbia*

The transition from socialism to capitalism over the past three decades in Serbia has been marked by significant increases in economic inequalities. Research findings on the level of economic inequalities under socialism were inconsistent due to differing theoretical and methodological approaches (Popović, 1977; Popović, 1987; Popović, 1991; Lazić, 1994), but all of them led

to the indisputable conclusion “that the economic position of social groups in the SFRY was unequal, i.e. that there was a hierarchical distribution of material goods, as well as other living conditions” (Lazić, 2011a: 151). The hypostasized principle of equality, which was advocated rather than applied, produced and imposed illegitimate inequalities in Serbia as well as in most socialist societies (Bolčić, 2015: 102).

During the blocked postsocialist transformation in Serbia (1989–2000), which refers to the prolongation of systemic changes from socialism to capitalism, almost all social groups experienced significant changes to their economic position. In the first half of the 1990s, a group of former members of the nomenklatura, as well as individuals who took advantage of the political crisis and international economic sanctions, quickly emerged and climbed to the top of the socio-economic hierarchy. The economic position of other social groups drastically deteriorated during this period, with a significant part of the population being economically disadvantaged (Lazić, 2011a: 151–152).

The unblocking and acceleration of postsocialist transformation in the early 2000s encouraged more pronounced economic differentiation of the population in Serbia. This is in contrast to the previous period, when the level of economic inequalities remained relatively low due to a drastic decline in living standards for the majority of the population (Lazić, 2011b: 135). The global financial crisis of 2008, as well as some internal factors, led to the economic recession in Serbia, which manifested itself as a fall in the GDP, a rise in unemployment, deepening poverty and “increasingly pronounced social differentiation, along with the crisis-induced absolute deterioration in the economic position” (Lazić and Pešić, 2013: 290).

Based on the results of the surveys conducted by the Institute for Sociological Research of the University of Belgrade – Faculty of Philosophy in 2003, 2012 and 2018, it was found that income inequalities were already very pronounced in the initial years of the accelerated postsocialist transformation (Manić and Mirkov, 2020: 310). There was subsequently an increase in income inequality due to the neoliberal reforms coupled with the consequences of the economic recession following the global financial crisis. Cuts to public sector wages and pensions contributed significantly to income inequality (Arandarenko, Krstić and Žarković Rakić, 2017: 20–23). Unlike other social groups, the elite strata managed to improve their economic position during this period (Manić and Mirkov, 2016: 52–55).

Pronounced income inequalities are persistent in the period of gradual consolidation of the capitalist order, although the economic positions of most households have improved as a result of economic recovery from the effects of the financial crisis (Manić and Mirkov, 2020: 310). As has been noted, according to the EU Statistics on Income and Living Conditions (EU-SILC) survey, conducted in Serbia since 2013, income inequality, measured by the Gini coefficient of equivalised disposable income, is higher in Serbia (0.36 in 2018) than in almost all European countries (Eurostat, 2021).

### *Income Inequalities in Other Countries*

In order to provide a broader picture of the perceived fairness of income distribution in Serbia, data collected in other post-Yugoslav countries participating in Round 9 of the ESS (Montenegro, Croatia and Slovenia) will also be analysed. All post-Yugoslav countries have a common legacy of market socialism and workers' self-management, with persistent adherence to collectivist values (as a long-term historical process),<sup>8</sup> respect for policies based on egalitarian principles and redistributive ethics (inherited from Yugoslav society) and, therefore, a preference for limited social inequalities. Each country also had its own transitional path from socialism to capitalism, since they all adopted capitalist economic organisation and implemented neoliberal reforms at different rates and to varying degrees.

The postsocialist transformation in Montenegro was a process that was heavily influenced by the political system since the political elite remained unchanged for approximately three decades. The state had a substantial role in all economic activities throughout the country's postsocialist transformation. The research findings based on survey data from 1989, 2003 and 2015 clearly illustrate the persistence of economic inequalities in Montenegro from the end of the socialist era onwards (Petrović, 2018: 219). The economic differentiation of social strata was already pronounced in the late 1980s. After the economic collapse and mass impoverishment in the initial years of the postsocialist transformation (during the early 1990s), the economic status of all social groups saw some improvement, but the differences between higher and lower social strata remained persistent. Montenegro is a country with marked income inequalities, although in recent years a slight decrease has been noticed. According to the results of the EU-SILC conducted in Montenegro from 2013 to 2017, income inequality has been reduced in the observed period as the Gini coefficient decreased from 0.39 to 0.37 (MONSTAT, 2018: 28).

In Croatia, the postsocialist transformation was characterised, *inter alia*, by the strengthening of the market economy, with the emphasis being on labour market freedom. However, the role of the state in welfare remained very strong in the spheres of social and retirement policies. Consequently, based on the analysis of income distribution, according to data of the Household Budget Survey of the Croatian Bureau of Statistics 1998–2002, it has been observed that there was a moderate rise in total income inequality as measured by the Gini coefficient, which increased from 0.29 to 0.30 (Nestić, 2005: 63–64). The analysis of administrative data sources also showed an unequivocal increase in the inequality of gross and net wages from 2003 to 2016, with large oscillations associated with changing political circumstances. A significant increase in wage inequality took place between 2005 and 2008, when the country's growth model relied largely on foreign loans. Following this period, a slight decrease in

8 In Serbia and Croatia, even when the dominant system changed, the relatively strong collectivist orientation survived because of the social and cultural rootedness of a given value matrix, which was reproduced to a greater or lesser degree according to specific socio-historical circumstances (Pešić, 2017: 206).



inequality occurred due to corruption being curtailed during negotiations with the EU, but there was a new increase from 2014, right after EU membership was achieved (Bićanić, Ivanković and Kroflin, 2018: 53–54).

Unlike other postsocialist countries, Slovenia chose a gradual path from socialism to capitalism, involving small amounts of foreign investment, extensive state ownership of companies, unhurried privatisation, institutionalised labour rights and a sizeable welfare state (Milijić, 2020: 895). A study of the long-term trajectory of the Gini coefficient in Slovenia from the 1960s onwards found that the level of income inequality was very low throughout the whole period with rises in inequality always coming in tandem with the greater introduction of market forces. After the first rise in income inequalities from 1960 to 1974, when market-oriented reforms were introduced, the second rise, from 1991 to 1995, was as a consequence of the postsocialist transformation and the third rise was from 2009 to 2014, due to the effects of the global financial crisis (Milijić, 2020: 903). Contemporary Slovenia is among the countries with the lowest level of income inequalities in Europe, with a trend of further decreases from 2014.

The comparative framework also includes the developed capitalist countries that participated in Round 9 of the ESS and that represent different types of welfare state. Esping-Andersen distinguished between three types of welfare state regime that emerged in capitalist societies in the Keynesian era (Esping-Andersen, 1990). In this paper, Germany was chosen to represent the corporatist welfare state regime, Sweden the social democratic and the United Kingdom the neoliberal.

In contrast to post-Yugoslav (and generally postsocialist) societies, where collectivist values persist, in societies that have long-established market economies individualist values prevail. Examining the differences between the developed capitalist countries themselves, based on their welfare state regimes and value orientations, goes beyond the scope of this paper. Here the intention is to show that the social contexts of the perceived fairness of income distribution in the developed capitalist countries are significantly different from those in the post-Yugoslav countries.

The level of income inequality in Germany was relatively stable throughout the 1980s and much lower than it is today. German reunification in 1990 was a challenge not only for the labour market, but also for the entire economy and welfare system (Grabka and Kuhn, 2012: 5). While income inequality in West Germany did not increase initially, the inequality of labour income in East Germany increased sharply following the transformation from state socialism to market economy. Income inequality in the whole country increased significantly from 2000, with a marked growth in incomes at the top of the socio-economic hierarchy. Thus, the change in income inequality in Germany was more than twice the OECD average (according to Grabka and Kuhn, 2012: 5). Germany's corporatist welfare system is characterised by protection against the risks of the market economy being provided primarily by traditional social security institutions, such as family and the Church. The system is insufficiently redistributive due to numerous restrictions, which maintain existing differences in social and economic position (Miething, Lundberg and Geyer, 2013: 261).

Sweden has not always been a country with a low level of income inequality and a low absolute poverty rate. Pronounced income inequalities in Sweden at the beginning of the 20<sup>th</sup> century have decreased significantly from the interwar period and up to the early 1970s. Income redistribution based on an increasingly progressive tax system has enabled Sweden to move from an unequal society to one of the most equal in the Northern and Western Europe region (Morrison, 2000: 227). Its social democratic welfare state regime proclaims the universalism of social rights, which implies equality in terms of the highest standards of welfare services and social transfers, instead of equality in terms of minimal needs. Based on egalitarian principles, the Swedish welfare system is highly integrative and redistributive, thus covering the population at large (Miething, Lundberg and Geyer, 2013: 261). However, Sweden has experienced a particularly sharp rise in income inequality during the period of neoliberal policy adjustments. The level of income inequalities has increased by a third between 1985 and 2000, making Sweden the OECD country with the largest increase in income inequality. Despite growing inequalities, Sweden remains in the group of nine OECD countries with the lowest level of income inequality – thanks to income taxes and social transfers, which reduce inequality by almost 30% (OECD, 2015).

Income inequality in the United Kingdom has risen from that of a relatively average developed country in the late 1960s, with a Gini coefficient of 0.23, to currently being one of the most unequal countries in the OECD, with a Gini coefficient over 0.3 (Brewer and Wren-Lewis, 2016: 289). The increase in income inequality was not steady throughout this period. During the 1980s, after the neoliberal regime shift, income inequality increased rapidly, while it fluctuated and rose slowly in the next decade. Progressive taxation and reforms to welfare benefits during the 1990s and especially 2000s have reduced high income inequality that emerged during the 1980s (Brewer and Wren-Lewis, 2016: 309). However, the United Kingdom remains the European country with very high income inequality since the neoliberal welfare state regime stimulates free competition among market participants and provides only a minimum guarantee of basic living standards for citizens.

According to International Monetary Fund data from 2018, Germany had the highest GDP per capita among the countries analysed here (Int\$ 52,896.61). It was followed by Sweden (Int\$ 52,718.76) and the United Kingdom (Int\$ 45,642.76) as developed capitalist countries, Slovenia (Int\$ 36,825.72) and Croatia (Int\$ 26,215.92) as the post-Yugoslav countries that have joined the EU and finally Montenegro (Int\$ 18,861.57) and Serbia (Int\$ 16,089.75) as Western Balkan states (International Monetary Fund, 2021). According to the EU-SILC from the same year, the Gini coefficient of equivalised disposable income in Serbia (0.36) was higher (hence, income inequalities were more pronounced) than in any other country analysed in this paper. Serbia was followed by Montenegro (0.35), which means that income inequality in both Western Balkan states had increased so much in the postsocialist period that it exceeded inequality in the United Kingdom (0.34) and Germany (0.31), the two developed capitalist countries with pronounced income inequalities. Croatia (0.3), Sweden (0.27) and Slovenia (0.23) remained below them with lower levels of inequality in income distribution (Eurostat, 2021).

It is on the basis of these differences in economic development and degree of income inequality, combined with path-dependent experience (advanced



capitalist or postsocialist societies) and dominant value orientations (individualist or collectivist), that these seven countries are grouped into three categories: post-Yugoslav countries in the Western Balkans (Serbia and Montenegro), post-Yugoslav countries that are members of the EU (Croatia and Slovenia) and developed capitalist countries (Germany, Sweden and the United Kingdom).

### *Hypotheses*

Based on prior knowledge about the increase in economic inequalities in Serbia during the postsocialist transformation, the main hypothesis is that the majority of Serbian citizens perceive their income (gross and net pay, pensions and social benefits) to be unfairly low.

Due to the common legacy of market socialism and workers' self-management, perceptions of the fairness of income distribution in Serbia are assumed to be similar to those in other post-Yugoslav countries. The situation is expected to be more auspicious in Slovenia and Croatia as EU member states that are more economically developed and with less pronounced income inequalities, in contrast with Serbia and Montenegro as less economically developed Western Balkan states with more pronounced income inequalities.

It is further assumed that Serbian citizens more often perceive their income as unfairly low in comparison with their counterparts in the developed capitalist countries (Germany, Sweden and the United Kingdom), where income inequalities are pronounced but their level remains slightly lower than in Serbia and Montenegro.

Accordingly, the perceived fairness of income distribution is expected to be related to a contextual variable that combines the effects of economic development, degree of income inequality and path-dependent experience.

### **Data Analysis**

Data analysed in this paper were collected under Round 9 of the ESS in 2018/2019, when the rotating module *Justice and Fairness* was applied. Perceptions of the fairness of income distribution were analysed from an individual perspective through perceptions based on the respondent's main source of personal income, including gross and net pay, pensions and social benefits. Additionally, the ratio between the amount deemed fair and the amount usually received was also analysed for each of these types of income.

All questions about fairness of income distribution used the same response scale with nine alternatives offered, four of which related to unfairly low income (extremely unfair, very unfair, somewhat unfair, slightly unfair), one to fair income and four to unfairly high income (slightly unfair, somewhat unfair, very unfair, extremely unfair). In the analysis presented in this paper, the answers were grouped into three categories: unfairly low, fair and unfairly high income. However, for the purpose of a more precise analysis, the original nine-point scale<sup>9</sup> was applied when using Tukey's multiple comparison test.

9 The nine-point scale ranges from -4 (extremely unfairly low) to 4 (extremely unfairly high), whereby the theoretical mean is 0 (fair).

### *Perceptions of the Fairness of Gross Pay*

The fairness of gross pay was assessed by respondents receiving wages or salaries, income from self-employment or from farming. In Serbia, as many as three quarters of those respondents think that their gross pay is unfairly low (Table 1). Only one fifth consider their gross pay to be fair. Among the post-Yugoslav countries, Montenegro is the most similar to Serbia, since almost three quarters of respondents from this country think that their gross pay is unfairly low, although one quarter believe that it is fair. Unlike these two Western Balkan countries, the two post-Yugoslav countries that are members of the EU have a somewhat fairer distribution of gross pay, according to the opinions of respondents. Around three fifths of respondents in Croatia and Slovenia would say that their gross pay is unfairly low and about one third that it is fair.

The situation is significantly different in the developed capitalist countries. Here the share of respondents who consider their gross pay to be unfairly low is less than one half. Furthermore, the share of respondents who think that their gross pay is fair is significantly larger: almost half of respondents in Germany and an even larger share in Sweden and the United Kingdom. The most favourable perceptions of the fairness of gross pay are in the United Kingdom, where almost three fifths of respondents would say that their gross pay is fair.

Table 1. Perceptions of the fairness of gross pay (in %)

	Serbia	Montenegro	Croatia	Slovenia	Germany	Sweden	United Kingdom
Unfairly high	4.6	3.6	6.6	2.3	6.1	7.2	3.9
Fair	19.9	24.4	32.4	37.1	47	55.1	59.4
Unfairly low	75.5	72	61	60.6	46.9	37.7	36.7
Total	100	100	100	100	100	100	100

According to the results of Tukey's multiple comparison test, mean values on the nine-point scale of perceptions of the fairness of gross pay show that Serbia does not differ from Montenegro, while it is statistically significantly different from all of the other countries. When the countries are grouped according to contextual-level factors, the mean of the post-Yugoslav countries in the Western Balkans ( $M = -2$ ) differs statistically significantly from the mean of the post-Yugoslav countries that are members of the EU ( $M = -1.35$ ), as well as from the mean of the developed capitalist countries ( $M = -0.73$ ). Namely, all three categories of countries differ from one another.

### *Perceptions of the Fairness of Net Pay*

Particular attention has been paid to perceptions of the fairness of personal income from work after tax and compulsory deductions. These amounts differ from country to country and thus may result in different perceptions. What all of the countries have in common is that more respondents think their net pay is unfairly low than think the same about their gross pay (Table 2). This indicates dissatisfaction with the levels of tax and compulsory deductions. In Serbia and

Montenegro, this increase is slight, less than 3%, since the share is already very large for gross pay. In Croatia and Slovenia, the difference between the perceived fairness of net and gross pay is about 5%, which is similar to Sweden and the United Kingdom (around 6%), while this difference is much larger in Germany (12%), which is known for its high taxes and compulsory deductions.

Table 2. Perceptions of the fairness of net pay (in %)

	Serbia	Montenegro	Croatia	Slovenia	Germany	Sweden	United Kingdom
Unfairly high	3.5	2.9	3	0.5	6	6.5	3.9
Fair	18.3	22.2	31	33.3	35.1	50.1	53
Unfairly low	78.2	74.9	66	66.2	58.9	43.4	43.1
Total	100	100	100	100	100	100	100

As in the case of gross pay, Tukey's test of perceptions of the fairness of net pay on the nine-point scale shows that Serbia is statistically significantly different not only from the developed capitalist countries, but also from Croatia and Slovenia, having similarities only with Montenegro. A comparison of means within the groups of countries according to contextual-level factors shows that all three categories of countries differ from one another. The post-Yugoslav countries in the Western Balkans ( $M = -2.14$ ) differ statistically significantly from the post-Yugoslav EU member states ( $M = -1.6$ ) as well as from the developed capitalist countries ( $M = -0.98$ ).

### *Perceptions of the Fairness of Pensions*

Respondents who are pensioners have been asked to assess the fairness of income from pensions. In Serbia, as many as four fifths of pensioners believe that their pensions are unfairly low, while one sixth think that they are fair, and only 4% would say that they are unfairly high (Table 3). In Montenegro, the situation is even less favourable, because the share of pensioners who think that their pensions are unfairly low is even larger than in Serbia and the share of unfairly high pensions is negligible. According to this indicator, Croatia is between Serbia and Montenegro, with more than four fifths of pensioners who consider their income from pension as unfairly low. Slovenia stands out from other post-Yugoslav countries with the lowest share of pensioners who perceive their income as unfairly low. One in four pensioners in Slovenia consider their income to be fair.

The perceptions of pensioners in the developed capitalist countries are different than in the post-Yugoslav countries in the sense that the share of those who consider their pensions to be unfairly low decreases in favour of those who consider them fair. In Germany, 45.9% would say their pensions are unfairly low, while one half think that they are fair. In Sweden, one in two pensioners think that their pension is unfairly low and as many as two fifths think that it is fair. The largest difference is in the United Kingdom, where as many as two thirds consider their incomes from pensions to be fair.

Table 3. Perceptions of the fairness of pensions (in %)

	Serbia	Montenegro	Croatia	Slovenia	Germany	Sweden	United Kingdom
Unfairly high	4	1.1	1.8	1	4.8	8.5	3.3
Fair	16.5	12.6	16	25.6	49.3	41.5	66.4
Unfairly low	79.5	86.3	82.2	73.4	45.9	50	30.3
Total	100	100	100	100	100	100	100

Tukey's test of the perceived fairness of pensions on the nine-point scale shows that Serbia is statistically significantly different from the developed capitalist countries, but that there are no significant differences compared to the post-Yugoslav countries. When means are compared within the groups of countries according to contextual-level factors, it is noticeable that the post-Yugoslav countries in the Western Balkans ( $M = -2.37$ ) do not differ statistically significantly from the post-Yugoslav countries that have joined the EU ( $M = -2.31$ ), but both post-Yugoslav groups differ from the developed capitalist countries ( $M = -0.75$ ).

#### *Perceptions of the Fairness of Social Benefits*

The fairness of social benefits was assessed by respondents receiving unemployment or redundancy benefits or other social benefits or grants. The vast majority of social benefit recipients in Serbia (as many as 88%) believe that the social benefits they receive are unfairly low (Table 4). In Croatia, this share is smaller and it is around four fifths, in Montenegro it is even smaller (70.8%), although these shares are still very large. Slovenia differs from other post-Yugoslav countries in this respect since opinion is divided. Approximately half of the recipients of social assistance in Slovenia believe that the social benefits they receive are unfairly low, but almost the same share of social benefit recipients say that their benefits are fair.

The developed capitalist countries implement different welfare state regimes, so they differ not only from the post-Yugoslav countries but also from one another. In Germany, almost two thirds consider their social benefits to be unfairly low, while in the United Kingdom this share is a bit more than one half, and in Sweden less than one third. Furthermore, in Sweden, which applies a social democratic welfare state regime, almost two thirds of social benefit recipients believe that social benefits are fair.

Table 4. Perceptions of the fairness of social benefits (in %)

	Serbia	Montenegro	Croatia	Slovenia	Germany	Sweden	United Kingdom
Unfairly high	10.4	25.6	12.6	1.8	5.6	5	1.1
Fair	1.6	3.6	7.7	48.8	30.9	63.5	46.3
Unfairly low	88	70.8	79.7	49.4	63.5	31.5	52.6
Total	100	100	100	100	100	100	100

As was the case with perceptions of the fairness of pensions, Tukey's test of the perceived fairness of social benefits on the nine-point scale shows that Serbia does not differ from the post-Yugoslav countries, while it is statistically

significantly different from the developed capitalist countries. A comparison of means within the groups of countries according to contextual-level factors shows that the Western Balkan post-Yugoslav countries ( $M = -2.79$ ) do not differ statistically significantly from the post-Yugoslav countries that are members of the EU ( $M = -1.56$ ), but they do differ from the developed capitalist countries ( $M = -1.28$ ). Meanwhile, the post-Yugoslav EU member states do not differ statistically significantly from the developed capitalist countries.

### *The Amount Usually Received Versus the Amount Deemed Fair*

Respondents were asked questions about their personal income and what would be a fair amount, whether they receive it as pay (gross and net amount), pensions or social benefits. The amount of income itself is not a subject of discussion in this paper, but it seemed important to determine the relationship between the amount deemed fair and the amount usually received by calculating the ratio between these figures<sup>10</sup> and generating median values for each country.

According to this indicator, most respondents in Serbia believe that their personal income should be higher (Table 5). Half of the respondents who receive a pay think that the gross amount should be at least 1.56 times higher and the net amount at least 1.62 times higher. Half of the respondents who receive a pension believe that this income should be at least 1.63 times higher, and half of social benefit recipients think that social benefits should be at least 2.14 times higher.

Of all the countries Serbia has been compared with, only in Montenegro are these median values systematically higher than in Serbia. The value is a little higher for gross and net pay, while the difference is larger for pensions and social benefits. Half of pensioners in Montenegro believe that their pension should be at least twice as high, and half of social benefit recipients think that social benefits should be at least 2.83 times higher. In Croatia, the situation is more favourable than in Serbia when it comes to pays and social benefits, but Croatian pensioners are as dissatisfied with their pensions as their counterparts in Serbia. In Slovenia, the difference between the income that is considered fair and the income usually received is the smallest among the post-Yugoslav countries, while this difference is even smaller in the developed capitalist countries.

Table 5. Ratio between the amount deemed fair and the amount usually received (median values)

	Serbia	Montenegro	Croatia	Slovenia	Germany	Sweden	United Kingdom
Gross pay	1.56	1.65	1.37	1.36	1.23	1.14	1.24
Net pay	1.62	1.8	1.41	1.37	1.29	1.2	1.25
Pensions	1.63	1.99	1.67	1.42	1.36	1.33	1.33
Social benefits	2.14	2.83	2.05	1.77	1.33	1.36	1.33

10 The ratio between the amount deemed fair and the amount usually received was calculated on the basis of monthly amounts of personal income, except for Germany and the United Kingdom, where respondents had the option of stating their weekly, monthly or annual personal income, according to which frequency they know best.

## Conclusion

Many European societies have faced the challenge of rising income inequalities due to changes in the labour market and welfare system during the period of neoliberal capitalism. As a post-Yugoslav state that has undergone a very turbulent postsocialist transformation and capitalist consolidation, Serbia has become a country with very pronounced income inequalities. It is one of the European countries with a very high Gini coefficient, which is an objective measure of the extent of income inequality in a society. At the same time, Serbia has a lower GDP per capita than many European countries.

Based on objective indicators, as well as the results of previous research on economic inequalities in Serbia during the postsocialist transformation, the main hypothesis in this paper was that Serbian citizens would perceive their income (gross and net pay, pensions and social benefits) as unfairly low. The research findings of Round 9 of the ESS confirmed the main hypothesis completely. Regardless of the source of their personal income, more than three quarters of respondents see their income as unfairly low.

Thanks to the rigorous methodology of the ESS, data collected in Serbia were completely comparable to data from other European countries. In terms of the comparative perspective, Serbia has been compared, on the one hand, to three post-Yugoslav countries that are assumed to be the most similar to Serbia due to the common legacy of market socialism and workers' self-management and, on the other, to three developed capitalist countries that are assumed to be significantly different not only to Serbia but to all post-Yugoslav countries.

It was assumed that perceptions of the fairness of income distribution in Serbia would be similar to those in other post-Yugoslav countries, with some variation expected due to different levels of economic development and income inequalities. The perceived fairness of income distribution was expected to be more favourable in Slovenia and Croatia, as EU member states, when compared to Serbia and Montenegro, as Western Balkan states. This hypothesis was partially confirmed, since incomes from work (gross and net amounts) in the post-Yugoslav countries of the Western Balkans were perceived as unfairly low more often than was the case in the post-Yugoslav countries that have joined the EU. Incomes from pensions and social benefits, however, were considered to be unfairly low in both groups of the post-Yugoslav countries.

It was further assumed that Serbian citizens would perceive their income as unfairly low more often than their counterparts in the developed capitalist countries of Germany, Sweden and the United Kingdom – regardless of their mutual differences and despite pronounced income inequalities in these societies. As expected, this hypothesis was fully confirmed for all main sources of personal income, and this conclusion is valid not only for Serbia but for both countries in the Western Balkans. Serbia and Montenegro have very pronounced income inequalities, which are higher than in some traditionally capitalist societies, but their GDP per capita is significantly lower. Additionally, after the period of socialism, most citizens have yet to come to terms with the lower incomes



and growing economic inequalities during the period of capitalist consolidation, which is why most consider their own personal incomes to be unfairly low.

There is a gap between the personal income usually received and the income that is considered fair in all of the countries analysed, although the ratio varies from country to country. The gap is the smallest in the developed capitalist countries, it is slightly larger in the post-Yugoslav countries that have joined the EU and largest in the Western Balkan countries, including Serbia.

The results of the overall analysis in this paper lead to the conclusion that, from respondents' subjective point of view, distributive justice in Serbia (as well as in Montenegro) has not been achieved. This is a fact that could potentially jeopardise social and political stability of the country in the long run.

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