

## PROBLEMS OF PENSION AND DISABILITY INSURANCE COVERAGE IN BOSNIA AND HERZEGOVINA

### Summary

*Low level of pension and disability insurance coverage in Bosnia and Herzegovina is one of the crucial issues related to sustainability of the systems. The immediate consequence of low level coverage is loss of contribution revenue which triggers all the negative consequences of unfavorable ratio of contributors towards pensioners. Moreover, low coverage is one of the major indicators of social exclusion of a large number of elderly people in the future and social exclusion of working population at present. The World Bank experts claim that countries with low level of gross domestic product per capita have low level of pension insurance coverage and vice versa. This theory is tested and confirmed by correlation analysis of pension system coverage rate and gross domestic product per capita in Bosnia and Herzegovina for period from 1970 to 1990. Estimate and analysis of coverage for the post war period was done on the basis of pension system data and Labor Market Survey population estimate. Low level of pension system coverage in Bosnia and Herzegovina is conditioned upon low level of economic activity which is reflected in low level of registered employment, large scale of unregistered work and common custom of declaring lower salary for the purpose of paying less taxes and social contributions. Negative effects for the pension and disability insurance systems are multiple and long term.*

**Key words:** *pension system coverage, obligatory PAYG pension and disability insurance system, contribution evasion*