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MODELING OF SOCIO-ECONOMIC REFORMS IN SERBIA

МОДЕЛИРАЊЕ СОЦИЈАЛНО-ЕКОНОМСКИХ РЕФОРМИ У СРБИЈИ

Summary: *The starting premise of the paper is that for the development of a sustainable recovery of the republic of Serbia one needs to replace the welfare state paradigm with socially responsible state paradigm. The main tasks of the socially responsible state are: (1) Socially acceptable way of dealing with redundant work force, (2) Reduction in the differences of income distribution which are not linked to the manufacturing enterprises, (3) Social Security (pensions, health care, social protection), and (4) Implementation of the National strategy for poverty reduction. In this context, the socially responsible state should cover: (1) Pension system, (2) Health (3) Unemployment insurance, (4) Financial and related support to the poor and the children, and (5) Homes for orphans, disabled and the elderly. The problem of building the model of regulation of social-economic sphere according to the socially responsible state encompasses four dimensions: The first is a determination of the area of activity of the state, as well as the basic principles of how to carry out reforms in the socio-economic sphere. The second is to improve the economic rationality of the structure and quality of social security services on the basis of a compromise between the minimum criteria of the European Union. The third focuses on implementing spatial distribution of regulation functions of the social and economic spheres in four levels (central, regional, sub-regional and local). The fourth is the precise determination of a relationship between the content of the attributes of social, economic and development policies.*

Key words: *Welfare state, Socially responsible state, Economic reforms, Social reforms, Socio-economic risks.*

JEL classification: *P11, I3*

Резиме: *Полазна премиса рада је да је за одрживо обнављање развојне пропульсије у Републици Србији потребно парадигму држава благостања заменити парадигмом социјално одговорна држава. Основни задаци социјално одговорне државе су: (1) економски и социјално прихватљиво решавање проблема незапослених и вишкова запослених, (2) смањивање разлика у расподели дохотка које немају упориште у производном предузетништву и резултатима привређивања, (3) обезбеђивање социјалне сигурности (пензије, здравствена заштита, социјална заштита) и (4) реализација националне Стратегије за смањење сиромаштва. У овом контексту, социјално одговорна држава треба да покрива: (1) пензиони систем, (2) здравство, (3) осигурање од незапослености, (4) финансијску и сродну подршку сиромашнима и деци и (5) домове за децу без родитеља и ометене у развоју, инвалиде и старе. У овом оквиру, истраживање проблема изградње модела регулације социјално-економске сфере према концепту социјално одговорне државе обухвата четири димензије. Прва је транспарентно одређивање подручја деловања државе. Друга је побољшање економске рационалности, структуре и квалитета обезбеђивања социјалних добара и услуга на основу компромиса између минималних критеријума Европске уније. Трећа димензија су потребе да се у једном динамичном контексту реализује просторна расподела функција регулације социјално-економске сфере на четири нивоа (централни, регионални, субрегионални и локални). Четврта је прецизно одређивање конзистентних веза између садржаја атрибута социјалне, економске и развојне политике.*

Кључне ријечи: *држава благостања, моделирање социјално-економских реформи, веродостојност политика имплементације друштвено-економских реформи, неуређено институционално окружење, анализа социјално-економских ризика.*

JEL класификација: *P11, I3*

1. INTRODUCTION

The Republic of Serbia entered the transition process with the developed model of the welfare state which, within the framework of the given financial possibilities, secured a high level of social security for most people. The national version of the welfare state was marked by the socialist character of the political and economic system, but its foundations date back to the distant past and are related to the results of the revolution carried out at the beginning of the XIX century. The first chapter of this paper is accompanied by a description and historical development of the concept of a socially responsible state.

This model was used for the creation of a socialist version of the welfare state, in which the company performs the basic function of the subject implementation of key objectives in social policy. Therefore, the urban population differentiated into two main social groups: employees, who have an extremely high level of social protection and safety and the unemployed, who, in the beginning had almost no social protection. Later, health care was provided for all unemployed, as well as financial compensation for the duration of unemployment for some specific categories that have lost their jobs. However, due to relatively high social mobility and employment opportunities abroad, their position until the end of the seventies of the last century, mainly, was temporary. From the mid sixties of the last century, Rural areas were gradually included into this model - so that at the end of the seventies of the last century most of the population enjoyed a relatively high level of social protection and security in the context of a given material.

In the early nineties of the last century, after the restoration of capitalism, the dismantling of institutions of national versions of the welfare state, the complete separation of the functions of social policy from a private company took place. At the same time the economic collapse of most commercial enterprises established in the period of socialism, led to a progressive expansion of social problems and pathology. Solutions to determine the attributes of social policies are sought in an unsystematic manner and in accordance with the current interests of the political elite and key distributional-oriented coalitions. The second chapter of the paper contains the concept of territorial modeling components of a socially responsible state.

Today it is necessary to restore the national development propulsion according to the European concept of endogenous, self-propulsive and sustainable economic, social and environmental development necessary to replace the welfare state paradigm (paradigm) with the socially responsible state. The paper contains a thesis in favor of this approach, as well as proposals to reform operations in the context of the construction and maintenance of a socially responsible state.

2. BUILDING THE CONCEPT OF THE SOCIALLY RESPONSIBLE STATE

Republic of Serbia is characterized by social stratification which avoids the transparent and accurate determination of the content of the process of social restructuring, including the formation of the new socio-economic groups. The first establishes the socio-economic stratum, which gained wealth quickly and illegally, and most of the population observe them with suspicion (denoted as brokerage oriented economic elite). The second forms educated successful businessmen (which we denote as entrepreneurial-oriented economic elite), whose main problem is the inability of a clear demarcation with the first group. The third form a key part of political elite, public administration, managers of public enterprises, as well as some representatives of non-governmental organizations, who are able to secure lucrative positions in the system of international assistance (this group is denoted as political and economic elites - because of their socio-economic power based on the monopoly of political factors in management). These elites were able to, in a very short period of time, adapt to new conditions and to create a great distance to other socio-economic groups. The situation is aggravated by the fact that this is achieved in terms of the drastic decrease in production (moving at about 55% to 60% of the pre-transition maxima achieved in 1986), reducing the total social wealth (by 1/3 compared to baseline) and a radical increase in public debt (including the invisible component - at the level of 150% to 200% of the current gross domestic product). In order to normalize things and create conditions for the development of a socially responsible state, it is necessary to precisely and transparently distinct between legal and illegal gain of wealth, in order to ensure social recognition and encourage the entrepreneurial oriented economic elites, leading to the dismissal of most social

pathologies related to involuntary unemployment, and the formation of labor costs at a level that does not provide a physical reproduction of substantial parts of the national population. On the other hand, the poverty base has been radically expanded, which covers a very diverse layers and sub-layers, which are existential or below the subsistence threshold.

A direct result of implementing the model of political and economic transition is a multitude of various distributive-oriented coalitions that through the misuse of the state achieve significant revenues or protect their positions (Adzic and Popovic 2005). Without further analysis of the reasons and mechanisms of their formation and operation we state two key factors that limit the construction of a socially responsible state.

The first are changes in the value system. Its main feature is that the raving culture is praised more than the ability of the formation of the gross domestic product, or added value. Therefore, the work and creativity were swapped by the model for solving key business and life problems through: speculation, evasion of fiscal obligations, fraud, kidnapping, crime. Hence, in this system of values it is illusory to talk about the need for hard work as the main source of providing social security.

The second is the weakening of the competitiveness of the national economy, which is reflected on the increase in unemployment, as well as on the increased participation of low-paying jobs in total employment with appropriate reflections on the spread of poverty and the development of a variety of other social pathologies.

In the analysis of factors that block efforts to accurately and transparently define the role of the state in the social sector according to the concept of a socially responsible state, the so-called egalitarian syndrome will be considered. In the business, political and expert public it is often emphasized, instead of the concept of economic freedom and equal opportunities for all – domination of the egalitarian syndrome, which blocks the increase of individual responsibility for social security. Since egalitarianism has more dimensions than those considered in this paper, we consider only the content of those, which in the context of the historical heritage have a direct (egalitarian distribution, ethics redistribution), or an indirect effect (anti-intellectualism, anti-creativity) on the definition of a combination of public - private in the regulation of the social sector. The main aim is to determine whether it is a recurrence of the past, or is it about something else, which is a primarily manifestation of the national value.

We begin with the assessment of the operation of the principle of egalitarian distribution. Differences in income from property and labor are enormous and in most cases it is impossible to determine their proportion to the individual capacity, performance and contribution to the creation of the gross domestic product, the newly created value and national wealth. Based on the available information it can be concluded that: the financial sector, some public enterprises and public services, as well as private companies with monopoly or oligopoly position in the market for the same qualifications pay several times higher wages and salaries than other public services and businesses in a competitive economy. Another example, the top management of these companies have several times higher wages than the key state representatives. Finally, while hundreds of thousands of employees in the private sector do not receive regular salaries and other payments based on the work, those in the public sector are paid promptly. Thus, the allegations of the existence of egalitarianism in distribution in the Republic of Serbia is one of the myths about survival of recurrence of self-management socialism, while we have uneconomically regulated distribution system, which is itself a (serious) generator of social distortions and pathologies, including the weakening of the motivation for strengthening of individual accountability for social security.

As a second factor for blocking we introduce *ethics redistribution*. The glorification of manual labor and neglect of knowledge, intellectual and spiritual capacities marked the structuring and functioning of the national version of the welfare state, and contributed to its degradation. In this domain, although the glorification of manual labor is gone and its accompanying economic and social institutions are dismantled, virtually nothing changed and anti-intellectualism is still at work. The Republic of Serbia in the middle of the second decade of the 21st century is situated in a range of developing countries where the quality and complexity of the work does not provide the basic material and social conditions for life of (most) individuals and their families, thus preventing (partial) privatization of social risks.

The third consequence of the egalitarian syndrome was anti-creativity. It is manifested in the general suspicion towards individual initiative (especially if one did not fit in any of the schemes of the dominant control group), continuous dependence on imported knowledge and technology from developed countries and the inability to use the domestic intellectual and entrepreneurial resources.

The final result is a continuous brain drain including potential entrepreneurs, which has intensified after restoration of capitalism and attempts to construct market socio-economic system. Political divisions further fueled the anti-creative content of national culture. Anti-creativity is the main characteristic of the position and the opposition, and of everyday life.

Determination of the attributes of a notion of socially responsible state requires broader elaboration. There is no doubt that globalization, the collapse of socialism and the Keynesian concept of economic policy and its derivatives of the Welfare State - caused the growth of socio-economic contradictions in modern market economies, former socialist countries and most developing countries. The rise in unemployment and an increase in the share of households facing difficulties in meeting the existential necessities of life is present in societies characterized by: propulsion development, stability of prices and exchange rates and the expansion of entrepreneurship. This raises the question of determining the (new) attributes of the essence of economic and social activities and their interdependencies in order to establish social stability and development (World Bank 2006).

It turned out that neither socialism nor capitalism in its classic form represent the framework for society that would be acceptable to all. On the other hand, neo-classical experiment with the rehabilitation of private entrepreneurship has shown that it works well only in effective public framework, which ensures a good and stable functioning of the economy and the protection of social risks, which carry four key trends: (1) globalization, (2) the development of (new) global production system, (3) technical progress, and (4) hypercompetition.

One of scientifically valid answers to these challenges is to create conditions for the establishment of a good society¹. Economic and social foundation of a good society is a successful economy². Naturally this paradigm covers a much broader content from the paradigm of social responsibilities.

The basic prerequisite for a successful economy is a well-functioning economic system in favor of all these subjects. This means providing conditions for a steady and noticeable growth in production and employment and the distribution of added value to all members of society. As long as there is a growth in production, employment and opportunities for economic and social mobility, there are chances of each individual to provide new sources of revenue, and thus the basic conditions for social peace. Economic stagnation, unemployment, differentiating the company on non-economic grounds and deprivation and hopelessness that follow them - lead to crime, violence and various forms of rebellion that the contemporary state and society can not suppress. Expansion of bullying, drugs, terrorism, brain-drain, the demographic regression and other social deviations, which more or less affected modern society is only visible reflection of the spread of poverty and establishing or maintaining unnatural social and economic structures. A successful economy is a necessary condition for the creation of good society, but the relationship is not one-way, because the successful economy

¹ The concept of a good society (alternatively used concept is *good state*) - a society in which each of its members, regardless of gender, race and ethnicity, secured the right to make a fulfilled life and a decent standard of living in terms of modern market economy (Berliner 1999, Collection of works 2001a; Galbraith 1979, 1997). Good society as opposed to the welfare state that provides public goods on a principle of "one size for all", recognizes human weaknesses, differences in abilities, qualifications and motivation, and, in particular, the obstacles that arise from the scarcity of economic resources and ways of political and economic activity of privileged socio-economic strata, and the emphasis in providing the conditions for human life in terms of modern market economy, placed on: (1) a good education and training, (2) good social infrastructure and political action that will respect the interests of the more socially vulnerable layers of population (3) good physical infrastructure, (4) political action and good public (state) administration to act efficiently against the misuse of modern market system aimed at redistribution of income and wealth, endangering human life and health, damaging the environment and the irrational exploitation of natural resources (5) public regulation of the economy and economic development that will ensure price stability and (6) cooperation and understanding with the international environment. Social action on the creation of a good society is based on: (1) successful economy, (2) good government and concepts: (3) reinventing the state and (4) of the new public management.

² The concept of a successful economy means a modern market economy, which produces goods and revenues (added value) and distributes them in a socially acceptable and economically efficient manner (Galbraith 1997). Basic socio-economic task for a successful economy is creating an environment that provides: full employment of labor, poverty alleviation and social climate that prevents the formation of hopelessness. Basic economic characteristics of a successful economy include the aspiration towards ensuring macroeconomic stability, continuous economic development and employment growth. The pragmatic economic policies aimed at increasing supply, alleviating the social and economic consequences of the economic cycle, and establishing and maintaining macro-economic stability is the basis of public intervention for the formation of a successful economy.

can not be built without the proper social base. What should in this framework be the field of activity of a socially responsible state?

In this context, the social responsibility of the state in the case of the Republic of Serbia should cover the following areas: (1) The pension system; (2) Health; (3) Unemployment insurance; (4) Financial and related support (food aid to housing) for the poor and the children; (5) home for orphans and disabled children, the disabled and the elderly;³ Of course, these components of social sector exist in the Republic of Serbia. However, while fiscal spending on pensions and health care are high and difficult burden on regular incomes and the real economy and partly financed from future taxes (through external and internal borrowing of the country), the public pension system is in deep crisis, while the state health care is on the verge of collapse. A lot of the poor and the unemployed who do not have regular social security, and most of the facilities for homeless are abandoned or in poor condition. The main criteria for the functioning of the social sector and the public-private factors are identified and, according to them, have since 2000 taken appropriate reforms (Bogićević et. al. 2001, 2002; Krstic and Stojanovic 2001; Ministarstvo za nacionalne i etičke zajednice Republike Srbije 2002; Vlada Republike Srbije 2003, 2005b; Ministarstvo zdravlja Republike Srbije 2001). Due to their permanent actuality we mention them at this point: (1) an extension of the sovereignty of the individual; (2) the concentration of social assistance to those who suffer and those who are powerless; (3) the introduction of competition; (4) financing in accordance with the possibilities; (5) determining the new role of the state in the social sector.

3. TERRITORIAL MODELLING OF THE COMPONENTS FOR BUILDING OF SOCIALLY RESPONSIBLE STATES

Basic economic characteristics of production of social goods and services is income redistribution (Bailey 2002; Stiglic 2004). Accordingly, the key elements of public regulation of the social sector should be organized at the central level (Centar za demokratsko liberalne studije 2002). Centralized establishing of social programs has the following advantages:

First, centralization ensures the equality of all citizens. When the determination of social programs is carried out regionally or locally, users find themselves in different positions due to differences in the criteria and standards, which is contrary not only to the paradigm of equality of all citizens before the law, but also to the interests of regional and local communities, as this would result in the appearance of resettlement of some socially disadvantaged individuals and groups to the regions and local communities which provide a higher level of social protection and security from public funds.

Second, centralization allows evaluating social programs across the country, which increases their efficiency.

Third, the central competence supported by the uniform criteria and standards is a barrier to regional or local elites to access public funds intended for social purposes and divert them for other purposes.

On the other hand, local program management could reduce costs and allow more efficient structuring of the contents of complex social public goods and services to the needs of the individual

³ Education and training are excluded from the area covered by the social responsibility of the state. In fact, one of the necessary conditions for the successful functioning of the economy is an efficient, open and internationally competitive education and training system to ensure the quality and adaptable workforce. Therefore, every individual must be creating the conditions to complete a good primary and secondary school. After that, every individual should be able to provide higher levels of education in accordance with individual ambition and intellectual and operational capabilities to achieve them. For all this, there must be adequate public funding and social climate in which reputation and revenues of individual schools and universities and their teachers must reflect the importance that society attaches to education and training, as well as their individual efforts to ensure adequate quality in international competition. Be sure that the education and training system must ensure conditions for the establishment and operation of private schools and universities, but they must not constitute a means of providing better education and training to those who are unable to pay, or worse, as in the case of the Republic of Serbia to provide a mechanism for punching diploma behind which there are no appropriate (internationally comparable) knowledge and skills. Education and training, in this context, have an extremely economic and development characteristic, and therefore represent a tool of economic and development policies. The main implication is its exclusion from the social sector.

and their family, based on rising awareness (Matković 2006). In this constellation, the local socio-political communities are a key factor in the inclusion of individuals and their families in the social security system. Accordingly, the central should be supplemented by local (social programs). In the present context, the main subjects in the social sector on the supply side is the state and municipalities. But that does not mean that one should neglect the role of regional and sub-regional level in providing public goods and social services. In determining their role the following should be considered (Centar za demokratsko liberalne studije 2002):

First, the presented concept is mainly based on the suppression of deviant social phenomena through increase in employment with adequate wages (i.e., well-paid jobs), to help individuals and their families to provide that a significant part of the collective consumption would be financed from personal incomes. Accordingly, reducing the role of the state in the social sector would automatically reduce the need for decentralization.

Second, the principle of distribution of functions between territorial units should be based on: (1) technical characteristics of production of certain social goods or services, and (2) external effects that certain social goods or service transmits over the borders of their jurisdiction. What does that mean?

Efficient supply of public social goods or services claims that small territorial units should not produce social goods or services if beyond the needs of the local community. This argument suggests that each municipality should not have: a general hospital, a home for abandoned children or children with disabilities. And vice versa, higher levels of territorial organization should not be engaged in the production of public goods and social services, which can be effectively organized on the local level. Thus, every municipality should have at least one nursing home, while the organization of public kitchens or other forms of help and assistance for the poor must be carried out at lower levels to be closer to its users. Efficiency dictates that territorial organization, which organizes the production of a particular social public goods or services shall bear all the costs of its construction and maintenance. As noted, different solutions between regions and local communities in terms of the amount of government assistance to the poor, will trigger the relocation of some residents and their families from the region and local communities with the lower levels of assistance towards the regions and local communities which generate a higher public aid for the poor and vice versa. If the general hospital's services are being used by the inhabitants of several municipalities, and its maintenance is funded by only one, there will be a reduction in funding, which will endanger the health of the population of the entire subregion. Therefore, the basic principle of decentralization of public production of social goods and services is to determine the areas of utility. The domain of efficiency analysis of decentralization of public production of social goods and services includes checking the content of the institutional component through the measure of its ability to recognize the actual social problems – in order to, through the process of learning and self-organization, provide conditions for their elimination. In the present framework, the development of the concept of spatial decentralization of socially responsible state should apply the following principles:

First, the spatial decentralization of socially responsible state and building of adequate social service organizations has a rational basis in the context of providing conditions for building a good society.

Second, in the construction and maintenance of adequate social organizations and agencies the concept of reinventing state⁴ should be used.

Third, the implementation of the program of spatial decentralization of socially responsible state, as well as the construction and evaluation of relevant organizations and services can not be realized without the explicit application of a technique of strategic planning in the form of national, regional, sub-regional and local strategies for revitalization and modernization of the social sector and explicit application technique of total reengineering of their implementation.

⁴ The notion of reinventing state denotes a complex of institutional, administrative and economic reforms in order to overcome the crisis of the public sector, based on the criteria, that with the same or lower tax burden and lower costs of public goods and (government) administration services in the regime of natural and administrative monopolies, provide: better education and training, better health and social care and better physical, abstract and administrative infrastructure that will enable the population and (national) economy to effectively face the challenges of globalization and international economic and political integration.

4. UNDER WHICH CIRCUMSTANCES CAN THE SOCIALLY RESPONSIBLE STATE BE CREATED AND MAINTAINED?

In order to build a socially responsible state it is necessary to achieve a consensus between the political and economic elite and the majority of the population of the Republic of Serbia. Potential interest for the entrepreneurial-oriented economic elite is to ensure political and economic stability necessary for their legitimate social stratification. The interest of the majority of the population is to ensure, in the given context, the best possible living conditions and social security. In contrast, the interest of the broker-oriented economic elite and the majority of the political elite is conflicting with the interests of establishing a transparent concept of a socially responsible state. Without entering into the structure of interest behind these constellations, a direction of social action for its construction and maintenance is clear. It is a promotion of the aforementioned good society paradigm, and a successful economy. Namely, in order to create conditions for the liberal structuring of its content, it is necessary to create a socio-economic environment in which all members of society who seek job opportunities will receive wage that provides at least a minimum standard of living. This requires a continuous flow of purchasing power, which should be enough to take advantage of existing capacities and employ all available labor. This request conflicts with the functioning of modern market economies. Empirical evidence is unequivocal - any economic system that has been established in the last two centuries essentially consists of cyclical tendencies with alternating periods of falling and rising of economic activity.

This brings us to the political and economic essence of building and maintaining a socially responsible state. In this sense, theories of economic science are insufficient. The only so far theoretically completely defined concept of anti-cyclical economic policy derived from Keynes's macroeconomic analysis was abandoned due to the more or less justified reason of a key burden of modern economies - long parallel maintenance of high unemployment and inflation. Promotion of its substitutes - economics of supply is controversial, because after a relatively successful implementation in the US, its implementation in the European Union (with a very ambitious aim of this international economic organization to become a key factor of development in the world by the end of the first decade of this century - the so-called Lisbon Agenda from March 2000) proved to be unsuccessful. In this context, an acceptable solution for the creation of conditions for the construction and maintenance of a socially responsible state is a more intelligent public regulation of the economy and economic development. Instead of blindly supporting an intellectually seductive theoretical concept or recommendations, international political and economic organizations need a better understanding of national, social and economic problems, and we need an appropriate regulation and control of its implementation in order to shorten the periods of reduced economic activity, and focus on the neutralization of some socially unacceptable phenomena in periods of the growing economic activity. Within the framework of a socially responsible state - intelligent public regulation failures in the economy and rising unemployment may not switch on the workers. Finally, wise public regulation of the economy and development in the function of building and maintaining a socially responsible state must face the well hidden interests and the desire to maintain economic stagnation and low levels of economic activity, because in such circumstances the key distributive-oriented coalitions using their economic or political power can be very effective in achieving the redistribution of social wealth and added value to their advantage.

Orientation to intelligent public regulation of the economy and economic development in function of the socio-economic framework for the construction and maintenance of a socially responsible state, imposes two basic directions of reform of government functions and public (state) administration.

The first is to improve their efficiency in the provision of public goods and services, the distribution of gross domestic product, or added value and wealth, defining the macroeconomic framework and law enforcement.

The second is to increase their ability to act as partners in the process of structural adjustment and improving the competitiveness of enterprises. In order to fulfill these tasks it is necessary to develop the concept of good government⁵.

⁵ The concept of good government embodies the government and public administration capable of ensuring effective framework for the successful functioning of the economy and a good society. Good government is able to implement the following functions: (1) provide conditions for improving the competitiveness of the national economy, (2) provide the conditions for economic efficiency and rational integration of national economies into

In its operationalization, the concept of good government relies on constitutional economics, the theory of financial macro-management, as well as experiences and techniques of management in profit and non-profit organizations. On this basis, the new tools to improve the efficiency of public (state) administration, the public sector and reduce public expenditure - that are designated as paradigms reinventing government and new public management⁶ that have been developed.

This approach imposes the following reform operations in the context of the construction and maintenance of a socially responsible state:

First, decentralization and deconcentration of functions of public (state) administration responsible for the implementation of social policy in order to get them closer to customers and providing flexibility. The main challenge is how to provide central coordination and control of work without compromising the freedom to work for the lower levels of government organization.

Second, the separation of the function of social policy creation from the implementation function. Solutions should be sought primarily in eliminating the intermediary bureaucratic structures.

Third, the introduction of quality standardization of social goods and services in the function of satisfying the needs of users - using business techniques and focusing on the expectations of the individual user.

Fourth, improving regulatory mechanisms - reducing the quantity and improving the quality of legal regulation of the social sector, reducing the cost of their implementation and improvement of the monitoring and control of their execution - taking over the business technique of monitoring and control activities.

The following instruments should be used for the implementation:

Fifth, the management of human resources - based on scientifically based programs for selection of personnel, job introduction, training, personnel development and improvement of motivation. Practice has shown that in this area the experience of the private sector can not fully be implemented. Due to the basic characteristics of the work of social organizations and services, it is necessary to harmonize these requirements with the need to secure collective bargaining power and equal rights for all employees.

Sixth, modern information and telecommunication technologies - in order to provide better quality and faster access to social goods and services. Practice has shown that all their options can not be fully utilized without adequate organizational procedures and coherently harmonized reforms of the whole social sector.

Seventh, the market mechanism. Examples: (a) the formation of the internal market of social goods and services (the users' right to choose a doctor, group of doctors and health organizations for the provision of specific services - which directly introduces competition between doctors and hospitals that are financed from public funds), (b) the application of partnership between the public and private sector in the provision of social goods and services, and (c) the complete privatization of some social security of goods and services (professional consultation for job security and training for new occupations for the unemployed).

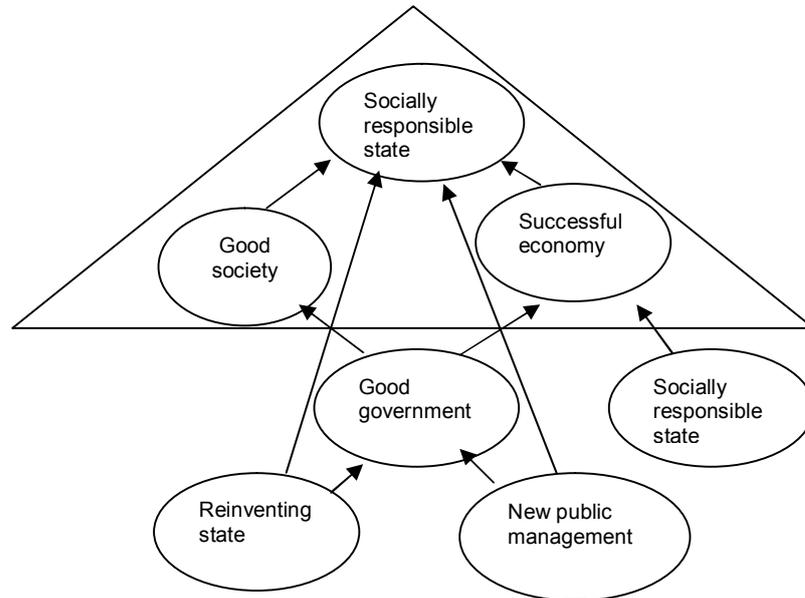
The introduction of market mechanisms in the process of providing social goods and services has shown that there is no single solution and that success depends primarily on the quality of research conditions under which the market mechanism works best (Proceedings IV, 2004). The experiences from other countries are very complex. The main lesson is that the experiences of the private sector are fully applicable and that it is necessary to ensure the previous conditions for their implementation. From the aforementioned, a socially responsible state is a product of the complex interaction of socio-

global and regional economic and political processes, (3) provide timely quality and cheap public goods and services of the public administration, (4) provide the conditions for equal treatment of all citizens and companies and develop partnerships with them, and (5) the development of appropriate organizational and managerial structure of public administration and promptly responds to all challenges that are consequences of changes in society, national and global markets.

⁶ New public management is the notion with the double meaning. In the narrow sense it denotes: (1) the introduction of contract management principles into organizations management practice for the realization of political positions and public enterprises, (2) the application of market mechanisms in the public sector and provision of government services to citizens and (3) linking of wages of employees in public enterprises and public administration with the results of their work and business. In a broader sense, the term includes all activities to the realization of the concept of reinventing state.

economic phenomena: a good company, successful economy, good government, reinventing government and new public management schematically presented as:

Figure 1. Socially responsible state scheme



Source: Author

5. CONCLUSION

The Republic of Serbia has been marked by the specific social security system since the beginning of the nineteenth century until the collapse of socialism and restoration of capitalism at the beginning of the last decade of the twentieth century.. Its main feature is a direct integration of social protection function within the framework of economic entities. This has secured relative social balance in conditions of modest economic base, so that poverty and social fragmentation were not a significant problem in the Republic of Serbia. The restoration of capitalism, for the past twenty years has created a situation where poverty and other social problems in various ways affect about 9/10 of the population. Solutions in the field of social protection and human development are sought in an unsystematic manner, in accordance with the dominant interests of the political elite and key distributional-oriented coalitions. Reforms which have been carried out have relativized the state monopoly in the social sector and the formation of voluntary private pension funds was allowed. The private health care has developed, which is not financed from public funds for health insurance. Domestic and foreign humanitarian organizations have voluntarily organized and took part of caring for the poor, elderly and disabled people and children. The final result of these reforms is institutionally unfinished model of social protection, the emergence of various forms of poverty and social discrimination and widespread phenomenon of social pathology. Reforms in the social sector according to the concept of a socially responsible state are facing a number of difficulties and limitations: (1) there are no ready-to-use theoretical solutions because the structure of the reforms' attributes throughout the world are very different, and the results generally controversial, (2) reforms in the social sector are extremely complex in terms of organization and (3) it is difficult to secure a political consensus because: (a) users are reluctant to giving up once acquired rights, (b) there is no single expert opinion on the content of the reforms' attributes and (c) employees in the social sector are afraid of consequences of the job reductions and decreasing public fundings, while the politicians fear the consequences of major losses in the short term at the expense of great benefit in the long run. For the population to accept the replacement of the welfare state paradigm to the paradigm of socially responsible state - it is necessary to create a socio-economic environment in which (in a dynamic context) all members of society can access the job position with wage that provide at least minimal living conditions for the individual and his family. This means providing conditions for a steady and noticeable growth in production and employment and the distribution of added value to all members of society. As long as there is the growth in production, employment and open opportunities for

economic and social mobility, there are chances of each individual to provide new sources of revenue, and thus the basic conditions for social peace. In this context, the social responsibility of the state is the product of the complex interaction of socio-economic phenomena: a good society, successful economy, good government, reinventing government and new public management.

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