

Female Employment in Formal and Informal Sectors of the Serbian Economy



Radović-Marković Mirjana^{*}, Beraha Isidora, Jaško Ana,
Institute of Economic Sciences, Belgrade, Serbia

ABSTRACT

With the economic crisis acknowledged in 2008, unemployment strongly increased – mostly due to the fall in the industrial sector – which indicates the possible emergence of a new poor and extremely poor population, alongside the decrease of trade deficit and foreign direct investment. Serbia has a large informal sector estimated at 35 per cent of GDP in 2007, fuelled by a weak regulatory framework, inappropriate tax and expenditure policies, and weaknesses in law enforcement, including the fight against corruption. It remains an important challenge as it reduces the efficiency of economic policies. The government should now focus on the following three issues to attract entrepreneurs in the formal sector: (i) contract enforcement (especially the functioning of the courts); (ii) access to finance (particularly bank credits); and (iii) clear title to land real property.

KEY WORDS: *women, employment, unemployment, informal economy, entrepreneurship, employment policy, Serbia*

Introduction

The world economic and financial crises that had a negative impact upon the economic growth and economic activities in Serbia in the second half of 2008, have also resulted into the fall in the employment rate and the rise in the unemployment trend. In addition to the economic and financial

^{*} Address: Zmaj Jovina 12, Belgrade, Serbia, e-mail: mradovic@gmail.com

crises, three groups of factors are considered to be the most plausible causes of ever-worsening conditions in the labour market in the past few years – the transition and privatization processes, the labour legislation and institutions in the labour market, and the pay taxation systems.

The employment rate of 40.8% in Serbia (October 2009) is significantly below the goals set by the Lisbon strategy of 2000, the employment rate of 70%. In 2009, the employment rate fell by 3.1% compared to 2008. In comparison with the previous year, the employment rate in October 2009 was 48.5% for men, and 33.7% for women. The highest employment rate for the period was recorded in central Serbia and amounted to 42.0%, followed by Belgrade, 41.0%. The lowest rate was recorded in Vojvodina – 38.3%.

Employment in Informal Economy¹ in Serbia

In transition economies and in developing countries, informal work emerges primarily for existential reasons and the need to survive, while in the developed countries, it spreads from chances and opportunities, although the contribution of women to the informal sector of economy in all countries is rather marginalized. In the majority of transition economies, in fact, those employed in the informal sector are not protected by the currently ruling laws. Here we have in mind primarily the unfavourable conditions of work and long working hours, as well as the rewarding system and the pay for the job accomplished. In the majority of transition economies evident is the growth in inequality as regards earnings, which is brought into relation to the informal sector share in the economies of these countries (Rutkowski, 1996).

Between 1990 and 2000, Serbia underwent a transition from a centrally planned and job security economy to an open market, alongside all other countries of the Black Sea. Movements on the labour market and the privatization process since 2000 led to job losses. In addition, job creation in the private sector has been slow and could not absorb a greater amount of unemployed people. Thanks to a good economic conjuncture,

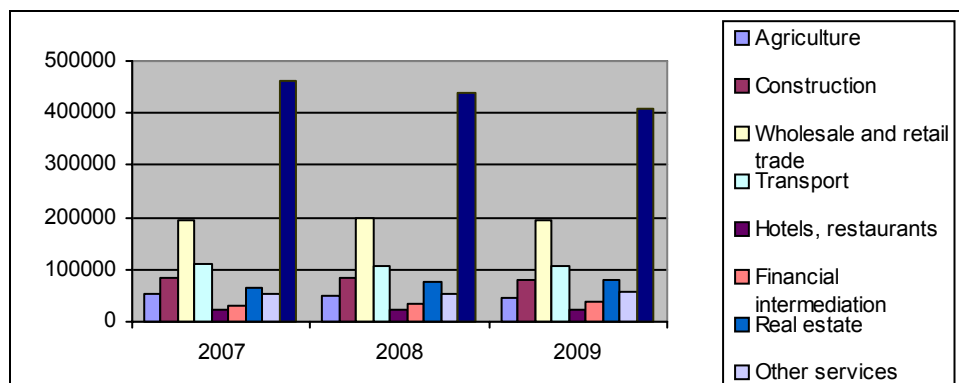
¹ Employed in informal economy are all the individuals without a formally and legally regulated employment status, i.e., those not employed in registered firms or estates, are not owners of a registered firm or estate/farm and are entitled to no insurance on the basis of their work.

the registered unemployment rate fell to 14.8 per cent in 2008 compared to 18.3 per cent in 2007. This rate rose back in April 2009 to 16.4 per cent. However, the numerical drop in unemployment between 2007 and 2008 was mainly due to methodological changes in order to harmonize methodology with EU standards. Without these changes the rate would have stood at around 17.5 percent in 2008. (COMMISSION OF THE EUROPEAN COMMUNITIES, 2009).

Despite mentioned changes, the registered unemployment rate tends to be higher than the rate obtained from labour force surveys (LFS) in Serbia². These discrepancies might be explained by the fact that a large number of registered unemployed is in *de facto* self-employed in agriculture or works in the informal economy or registered unemployed are often not actively seeking a job to the register in order to be insured (UNECE 2003, p. 75). Namely, registered unemployment rates significantly exceed survey-based unemployment since registration as being unemployed might be a precondition for free access to health insurance or social assistance for many who are *de facto* inactive or informally employed (Survey of Serbia, working paper, OECD, 2010).

The global economic crisis had a negative impact upon the dynamics of the economic activity in Serbia in the second half of 2008. Activities of all sections recorded decrease and rate of employment in them (Figure 1).

Figure 1: Employment by sectors, period 2007 – 2009, number of employees



Source: Republican Labor Market Bureau, 2009

² The registered unemployment rates were by 7 per cent higher than the LFS rate according the Survey of Economic and Social Challenges in South East Europe (2003)

The drop of production in processing industry, including wood processing industry and furniture production, had the biggest impact on the drop of industrial production. The fall in the industrial sector also triggered a most significant fall in employment among all the sectors. In January 2010, the National Employment Agency recorded 751,590 unemployed, 2.9 per cent more than in December 2009. The unemployment growth rate, according to the October 2009 Workforce questionnaire, was 16.6 per cent, which is by 2.3 percentage points higher compared to the same period 2008. The retail sector declined by 6.2 per cent in 2009 compared to 2008.

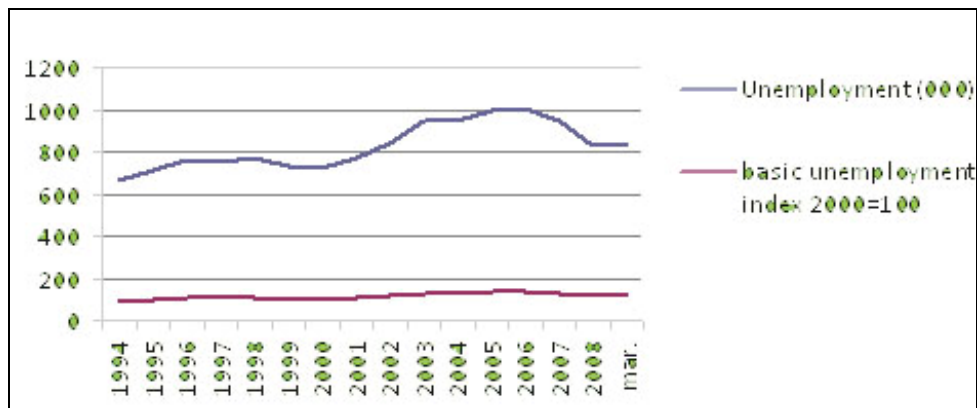
Agriculture traditionally has an important role in the Serbian economy. Namely, a large proportion of the population in Serbia their work has involved in this sector. The rate of employment in agriculture is among the highest in the EU (21% in 2008.). It reflects the ubiquitous importance of agriculture in national economy as well as low level of diversification of economic activities in rural areas of Serbia. As a consequence, lack of employment opportunities makes and impact on the growing poverty in rural areas (Plan strategy of rural development in Serbia, 2009-2013). Education should play an important role by empowering people in rural areas to improve their well-being and participate actively in nation building. Education and training help to build human capacity for both men and women. It is a key priority area for unemployment and poverty reduction (Radovic Markovic, M., 2009).

Tourism provides employment for people with different degrees of expertise, from those involved in that directly provides the service (waiters, maids, etc.), to those working in various technical processes (chefs, confectioners, animators), and to those with higher education who develop the sector (e.g. economists, jurists, scholars, architects). In addition to these employees, seasonal workers should be added. They are usually employed in other activities which are induced by tourism. It is hard to achieve continuity in the work for them, even for permanently employees which earnings are susceptible to seasonal variation. There is also a lack of highly qualified labour force for a more intensive development of alternative types of tourism as medical tourism or rural tourism. This is why the rate of employed people has decreased in tourism since 2007. A reform of the system should be achieved in relation to human capital and employment opportunities.

High rate of unemployment, low wages and non-payment of salaries have led to the rapid growth of informal employment. More than 30% of

the economy is informal (ETF COUNTRY PLAN, 2009). The informal economy has been increasingly absorbing unqualified and unskilled labour, since as many as 53 per cent of informal workers have primary education, about 39 per cent have secondary education and about 8 per cent have tertiary education (Living Standards Measurement Survey, "Employment status" Belgrade, 2008).

Figure 2: Unemployment and indices, 1994-2009



Moreover, the study showed that informal employees earned 22 per cent less, *ceteris paribus*, compared to the formal employees in 2007, suggesting that Serbia is moving towards a more mature market economy (Global Development Network Southeast Europe, 2009).

The differences in the presence of the informal sector across the region are significant too. The lowest percentage of employed in the informal sector is recorded in Belgrade, 21%, while the highest is in western Serbia, over 47%, where the highest percentage of employed (55%) is recorded simultaneously.

All the above presented data corroborate the fact that the economic position of the employed with formally regulated employment status has significantly improved. Despite these results, efforts should be continued towards reducing informality. Reducing informal economy and job creation in formal economy will depend on sustainable economic growth, the development of small and medium-sized private enterprises and the ability of Serbia to succeed in attracting foreign investment.

Female Employment

Women didn't obtain an equal standing to men with respect to job opportunities, wage, ownership of real estate and decision-making positions in government and the business sector. It is a consequence of the implementation of the Law on Prohibition of Discrimination with delay in March 2009. The difference in average earnings of women and men per hour in 2004 amounted to 16 per cent. Women usually wait longer for employment than men and lose their jobs and income source more quickly than men in time of crisis. Unemployment affects specially women over 50 year of age (20 per cent of unemployed people).

In addition, most widely represented in the structure of informal employment are women. Namely, the women that remained in the work process in the impeding conditions of economic activities were predominantly engaged in the least profitable industries or in the informal (residual) sector. A modest family budget often prevented women from starting their own business, with their own funds or savings, which women typically use in launching new businesses. The aid from the society was also missing – there were no special - purpose loans nor credits, which further prevented women from implementing their obvious entrepreneurial and managerial potentials. The majority of them, hence, settled to doing marginal jobs in informal economy or working at certain, predominantly non-managerial, work posts in state or public firms.

Despite some positive trends in gender equality in Serbia there are still lower rates of female employment, a significantly smaller share of women among entrepreneurs and self-employed; in particular, women from vulnerable groups like Roma women and women with disabilities.³ The difference between the employment rates of women and men of working age (15-64 yr) decreased in 2005-2009, but still remains very high. In 2005 the employment rate for men was 61.2 per cent against 40.8 for women, while in 2009 the employment rate for men decreased to 58.7 per cent while women's increased to 43.3 per cent. This trend reflects the increasing number of women in the agricultural sector (40.2 per cent in 2005 against 42.4 per cent in 2009). It also shows the increase in the

³ Unfortunately, the data on the position of vulnerable groups in the labour market and gender differences within these groups are not adequately registered in the form of regular monitoring, and thus the basis for interventions aimed at improving the position of these groups remains low on quality.

number of entrepreneur women and self-employed. In this category, women's participation increased from 23.8 per cent in 2005 to 28.4 per cent in 2009. However, data on the participation of women in the number of entrepreneurs and self-employed should be accepted with a certain amount of caution due to different data definition.

The participation of women in the central legislative and executive authorities has increased, while in local governments we can observe stagnation; the share of women mayors being extremely low. According to some opinions, gender inequality is very pronounced in the field of entrepreneurship in Serbia, i.e. there is an obvious disproportion by gender between employers and employees. In this regard, the ratio for women is 1 to 2, while for men is almost 1 to 1 (Handalić.M, 2009).

Despite, the participation of women is forecasted to increase by at least 30 per cent in 2015, on all the levels of political decision-making. The data obtained from the Business Registers Agency show that the accession of women to the directorial or managerial positions in Serbia is rather low. Among the directors of business enterprises in 2009, only 20.6 per cent were women.

Taking all this into account, the Government of Serbia is committed to addressing the different aspects of gender equality in the forthcoming period. The Law on Prohibition of Discrimination was adopted in March 2009. This law marks a step forward in protection of human rights.

Employment Policy Implications

Policy-making in Serbia tends to be too sector-based and would profit from a better coordination of strategies between economic, trade, employment, social and educational Policies. A functional view on VET and adult learning as central instruments for achieving overall national development goals would be an important stimulus for the education sector. However, the education and training sector could do more on its own to serve employment, employability, personal development, active citizenship, and social inclusion. The key policymakers and stakeholders in VET reform could try to foresee what the key employment challenges would look like in 2020. There is no doubt that facing demographic change already foreseeable, prospering in global competition, education for innovation and addressing threats to social inclusion are among the challenges which will have to be faced.

The National employment strategy was adopted in April 2005 and is a strategic document on employment incentives in Serbia, for 2005-2010. The period of its implementation, therefore, largely coincides with the implementation of the Economic Development Strategy in Serbia, which stretches up till 2012. The national employment strategy is inspired by the European employment strategy and includes three goals stated in the Lisbon Employment Strategy, namely: 1) full employment, 2) quality and productivity at work, 3) social cohesion and entering the labour market. Other important documents include the so far adopted official strategic documents of the Republic of Serbia, the Poverty Reduction Strategy and the Strategy of Supporting Small and Medium-sized Enterprises. The key role of this strategy is to point out to the specific directions in solving the unemployment problem in probably the most sensitive phase of the transition process in this country, as well as to offer the solutions adjusted to this phase and to the currently available human and financial resources, to be further specified in detail in the action plans of employment.

Conclusion

In Serbia, potentials had not been completely used for entrepreneurship development and self-employment. This unusual possibility is especially related to those women who, despite their high education and high participation in labor market, became entrepreneurs to twice an extent as men. Namely, the opportunities for self-employment in Serbia are not exploited to a satisfactory extent. Rural entrepreneurship is an enormous employment potential. Women see it as an employment possibility near their homes which provides independence and a reduced need for social support. Farmers see it as an instrument for improving farm earnings and better standard of living. However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment in rural areas conducive to entrepreneurship (Radovic Markovic, M., 2010).

Competitive economy is the key to higher growth and employment rates. At the moment, the education and training system in Serbia does not sufficiently support female employment and the labour market. Serbia's Vocational education and Training system (VET) faces major challenges. The Serbian labour market is still in process of transition from a job

secured system to a competitive and challenging labour market. The Serbian work force is slow to adjust to the changing economic situation. As a result, the demand for skilled employees is increasing faster than the supply. Specialists, such as financial analysts and controllers, internal auditors, IT and marketing specialists, are in short supply, increasing competition among companies. The long-term perspective of the labour market status explained that the problems on the labour market, and especially unemployment, will be actively present, until Serbia is admitted into the European Union.

References

- [1] COMMISSION OF THE EUROPEAN COMMUNITIES, (2009), Brussels, 1339/2
- [2] ETF COUNTRY PLAN, 2009
- [3] Doing Business in 2006., World bank Survey, 2006.
- [4] European Bank for Reconstruction and Development, Earnings Inequality and the Informal economy evidene from Serbia) <http://www.ebrd.com/pubs.econo/wp0114.pdf>, approached on 18.03.2010.
- [5] Handalić, M., "The Position of Female Entrepreneurs in the European Union and Transition Countries", *Journal of Women's Entrepreneurship and Education (JWE)*", Institute of Economic Sciences, no. 1-2, 2009., pages 13-25.
- [6] Living Standards Measurement Survey, "Employment status" Belgrade, 2008
- [7] Plan strategije ruralnog razvoja Srbije, (2009-2013), Ministarstvo za poljoprivredu, šumarstvo i vodoprivredu, Februar, 2009.
- [8] 8. Radović Marković M, (2006), "Samozapošljavanje", Magnus, Beograd, str. 211.
- [9] Radovic Markovic, M. (2007), *Entrepreneurship for Women*, Magnus, Belgrade
- [10] Radović-Marković, M. Perspectives and Possibilities for Small Business Development in Serbia in *New Economy Condition, State and Perspectives of Serbian Economy*, The scientific gathering at the Institute of the Economic Sciences, Belgrade, 2006, pp. 225 -231
- [11] Radović-Marković, M. Et.al., "The New Alternative Women's Entrepreneurship Education: e-Learning and Virtual Universities", *Journal of Women's Entrepreneurship and Education (JWE)*", Institute of Economic Sciences, no. 1-2, 2009., pages 1-13.
- [12] Radović-Marković, M. (2010), Contribution of rural entrepreneurship to sustainable economic development in Serbia (working paper).
- [13] Rutkowski, J., (1996), "Changes in the wage structure during economic transition in central and Eastern Europe", World Bank, Tehnical Paper No. 340, World Bank Group, 2010.
- [14] Survey of Serbia, Working paper, OECD, 22.July, 2010
- [15] Living Standards Measurement Survey, "Employment status" Belgrade, 2008

- [16] Workforce questionnaire, RZS, 31.12.2009.
- [17] Workforce questionnaires (October, April 2004, 2005, 2006, 2007, 2008, 2009), <http://webrzs.statserb.sr.gov.rs>, approached on 18.03.2010.

Article history: Received: 12 April 2010
Accepted: 8 September 2010