

3. Employment and Wages

As of this year, Statistical Office of the Republic of Serbia is gathering quarterly data within the Labour Force Survey (LFS). Survey for the second quarter was conducted at the end of March. The data shows that the negative effect of the winter season has passed, because the employment slightly rose by 1.3 percentage points, and the inactivity was reduced by the same percentage. Considering the almost unchanged rate of unemployment, it would seem that the labour market trends went from inactivity to employment. As of this year, the LFS is publishing the structure of the inactive according to their subjective status. According to this data, more than 700,000 individuals are not actively seeking employment, and not because of retirement or education or training, which are the most usual reasons for inactivity. While the formal employment is dropping, informal employment continues to grow, especially among the employed workers and helping household members. Observed by sectors, employment has increased the most in helping household members, followed by companies dealing in supply of electricity, gas and steam. As a result of growth of informal employment, total employment is growing as well, which is not in line with the recession trends in the economy.

Employment

After the negative effects of the winter season had passed, employment grew slightly, while inactivity declined

As of this year, the Labour Force Survey is published quarterly. For the second quarter of 2014, the Survey was conducted at the end of March, while in previous years the April surveys were conducted at the end of April and beginning of May. Therefore, these two surveys are not completely comparable. Additionally, data from Q2 2014 is not compared to the April survey of 2013 because, as we stated earlier, we believe that the level of employment in October 2013 (49.2%) is the real one, because it is highly unlikely that the number of the employed in the period April–October had increased by 140,000 (Table T3-1).

In Q2 2014, there were 4,620,341 individuals between the ages of 15 and 64 (by 24,549 less compared to Q1 2014). Among these persons 2,888,543 were economically active (by 46,632 more compared to Q1 2014), namely:

- 2,277,413 were employed, which is by 48,350 more compared to Q1 2014. The rising number of the employed, but also the declining number of individuals between the ages of 15 and 64, contributed to the increase of the employment rate from 48 to 49.3%.
- 612,134 were unemployed, i.e. by 1,653 less compared to Q1 2014. However, the decline of the unemployment rate from 21.6 to 21.2% is mostly due to the growing number of economically active individuals compared to Q1.
- 1,731,798 were inactive, i.e. by 71,181 less compared to Q1 2014. The decline of the inactivity rate from 38.8% to 37.5% is partly due to the decrease in total working age population, but certainly mostly due to the decreased number of the inactive.

The number of the employed individuals in the second quarter of this year is higher compared to Q1 by almost 50,000, but only slightly higher than the number of the employed in October 2013, which indicates that the negative effect of the winter season, which is usually present at the beginning of the year, has passed. The number of the unemployed is almost unchanged compared to the first quarter of this year, and it increased by 10,000 compared to October 2013 (Table T3-1).

Table T3-1. Serbia: Employment and Unemployment According to the Labour Force Survey¹, 2008-2014

		Total no. of employed 15-64 ²⁾	Number of employed in agriculture and unpaid family workers 15-64 ³⁾	Employment rate 15-64 15-64 god.			Total number of unemployed 15-64	Unemployment rate 15-64		
				Total	Male	Female		Total	Male	Female
		1	2	3			4	5		
2008	April	2,652,429	..	54.0	62.3	46.0	432,730	14.0	12.4	16.1
	October	2,646,215	443,243	53.3	62.2	44.7	457,204	14.7	12.7	17.3
2009	April	2,486,734	437,957	50.8	58.7	43.3	486,858	16.4	15.0	18.1
	October	2,450,643	411,303	50.0	57.4	42.7	516,990	17.4	16.1	19.1
2010	April	2,278,504	326,623	47.2	54.3	40.3	572,501	20.1	19.4	21.0
	October	2,269,565	352,724	47.1	54.4	39.9	565,880	20.0	19.0	21.2
2011	April	2,191,392	340,528	45.5	52.2	38.8	649,155	22.9	22.7	23.1
	October	2,141,920	329,378	45.3	52.5	37.9	690,782	24.4	23.5	25.6
2012	April	2,083,604	317,879	44.2	51.1	37.1	735,209	26.1	25.6	26.7
	October	2,201,760	345,883	46.4	53.7	39.1	661,698	23.1	22.1	24.5
2013	April	2,127,649	315,109	45.8	53.6	38.1	707,440	25.0	23.1	27.3
	October	2,268,750	349,742	49.2	56.2	42.1	602,651	21.0	20.2	22.0
2014	Q1	2,229,063		48	55.1	41	613,787	21.6	21.0	22.3
	Q2	2,277,413		49.3	56.3	42.5	612,134	21.2	20.4	22.1

Source: Labour force survey (LFS), SORS.

Notes:

1) Labour Force Survey is conducted twice a year since 2008 - in October and in April.

2) Persons between 15 and 64 years are considered to be of working age.

3) By October 2008 in the LFS classification of employees in agriculture and unpaid family workers for the 15-64 age group did not exist, only 15+.

The highest decline in employment in the financial and insurance sectors

Employment grew in ten out of a total of twenty sectors between the two quarters of this year. The highest increase in employment was realised in helping household members, who fall in the category of informally employed, by 47%, followed by companies dealing with supply of electricity, gas and steam by 28%. Employment declined the most in finance and insurance by 12%, as well as the sectors dealing with art, entertainment and recreation by 19%¹. (Table T3-2).

Table T3-2. Employed by Sectors (LFS)

	October 2012	April 2013	October 2013	Oct 2013/ oct 2012, index	Q1 2014	Q1 2014/ Apr 2013, index	Q1 2014/ Oct 2013	Q2 2014	Q2/Q1 2014
TOTAL	2,299,038	2,227,432	2,394,004	104.1	2,342,966	105.2	97.9	2407930	102.7727248
Agriculture, forestry and fishing	494,700	461,819	522,084	105.5	469,196	101.6	89.9	500302	106.6296388
Mining	25,092	21,173	23,065	91.9	27,230	128.6	118.1	23941	87.92141021
Manufacturing industry	394,992	389,193	399,654	101.2	388,127	99.7	97.1	386935	99.69288403
Supply of electricity, gas and steam	35,159	37,751	37,206	105.8	31,266	82.8	84.0	40114	128.2991109
Water supply and wastewater management	35,203	30,436	36,866	104.7	37,139	122.0	100.7	42579	114.647675
Construction	121,659	92,977	126,620	104.1	96,744	104.1	76.4	99763	103.120607
Wholesale and retail trade, repair of motor vehicles	307,136	305,132	288,606	94	300,020	98.3	104.0	304649	101.5428971
Transportation and warehousing	125,748	137,980	130,882	104.1	141,317	102.4	108.0	132088	93.46929244
Accommodation and food services	66,555	55,737	61,973	93.1	62,153	111.5	100.3	59826	96.25601339
Information and communication	35,172	45,266	50,140	142.6	56,796	125.5	113.3	61045	107.4811606
Financial activities and insurance activities	43,676	40,860	44,566	102	44,616	109.2	100.1	39275	88.02895822
Real estate	2,885	3,012	2,028	70.3	*	*	*	*	*
Professional, scientific and innovation activities	50,896	61,194	63,185	124.1	68,359	111.7	108.2	73251	107.1563364
Administrative and support service activities	47,076	47,919	49,175	104.5	47,585	99.3	96.8	46846	98.4469896
Public administration and compulsory social insurance	125,469	129,761	132,950	106	135,750	104.6	102.1	138316	101.8902394
Education	146,867	142,490	156,867	106.8	149,005	104.6	95.0	150117	100.7462837
Health and social care	140,297	124,628	136,455	97.3	140,776	113.0	103.2	146563	104.1107859
Arts, entertainment and recreation	36,387	33,040	44,823	123.2	49,158	148.8	109.7	40040	81.45164571
Other service activities	43,722	47,561	45,177	103.3	43,803	92.1	97.0	42157	96.24226651
Activities of households as employers	20,377	18,632	41,003	201.2	51,280	275.2	125.1	75690	147.6014041

Source: LFS

Note: *small number of occurrences so it is impossible to estimate. Q2/Q1 2014 mining index should be taken with caution because the score for the second quarter is less accurate.

¹ Includes activities that satisfy various cultural, entertainment and recreational needs and interests, including music and stage performances, the work of museums, galleries and collections, protection of monuments, games of chance (gambling and betting), sports and recreation.

Informal employment grew to 21.2%

Informal employment rate, expressed as a share of the informally employed in the total number of the employed, is higher by 0.7 percentage points compared to Q1 2014, and is currently 21.2%. Survey from the second quarter of this year estimates that there are 511,575 informally employed people in Serbia. This includes those employed in unregistered companies, registered ones but without a formal labour contract, as well as helping household members². Considering the fact that the Survey, ever since it started being published quarterly, shows the structure of the informally employed according to their professional status, we can observe that the highest increase among the informally employed is in those who have the status of the employed and helping household members, by 15% and 12% respectively. Due to a small number of occurrences, the number of the self-employed and those working in an informal economy has not been published (Table T3-3).

Table T3-3. Formally and Informally Employed According to Professional Status, Q1 & Q2 2014

	Q1	Q2
Employed	62.352	71.723
Self-employed with employees	*	*
Self-employed without employees	227.955	229.427
Helping household members household	187.056	209.509

Source: ARS, Q1 2014. *a small number of occurrences so the evaluation was not published

The structure of inactive persons is disconcerting

As of this year, Labour Force Survey is publishing more detailed results about the reasons of inactivity of the working age population. Even though we have repeatedly pointed out the extremely high inactivity rate, the more detailed representation of this category's structure in the labour market is additionally worrying. That is, out of a total of 3 million people who are out of work and are not actively looking for it, over 700,000 does not claim this is due to retirement or still being in school, since these are the most common reasons of inactivity. As can be seen in Table T3-4, among them is almost the same number of homemakers and persons who are categorized as unemployed, but it can be clearly seen through other questions in the Survey that they are not actively seeking employment.

Table T3-4. Inactive persons according to subjective status

Pensioners	1.699.271
Pupil, student, graduate student, person on mandatory unpaid practice	542.165
An unemployed person	361.797
Houseworker	358.076
Person with long-term disability who is not working	80.503
Other inactive person	40.827

Source: LFS, Q2 2014

compared to other categories. Inactive “unemployed” show significantly higher desire to work (especially those up to 55 years of age), and the basic cause of their inactivity is discouragement regarding the possibilities of finding work. In those older than 55, who became inactive after they lost their job in the process of transition, discouragement is stronger and is related to the initial failure of finding work again after years of secure employment, but also to the low estimate of their own abilities, which includes poor health. Older women (homemakers) are in the toughest position, as they are stuck in a ‘sandwich’ – taking care of children and elderly parents and relatives. Inactivity is additionally higher in persons with low education, and in those who can rely on income from social transfers or on income from other family members. Separate analysis of the effects of the two most significant social transfers, which are conditioned by activity on

² Helping household members are persons who are helping another family member in operating family business or agricultural land, without being paid.

³ Arandarenko, M., Žarković-Rakić, J., Vladislavljević, M. 2012. From Inactivity to Employment. Analysis of the Impact of Public Policy and Factors Influencing the Inactivity: Possibilities of Growth in Activity and Employment in Serbia. Foundation for the Advancement of Economics for the Social Inclusion and Poverty Reduction Team of the Government of the Republic of Serbia.

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the labour market – unemployment benefits and financial social assistance – has shown that their beneficiaries are not especially motivated to be active or are even less active on the labour market than persons with similar characteristics. While on the one hand, beneficiaries of unemployment benefits have higher inactivity than other persons registered at the National Employment Service, on the other hand, even though one of the formal requirements for accessing financial social assistance is for the working-age people to actively seek employment, most of them do not comply. Our analysis of parameter characteristics of these transfers indicates that the main problem is not in their excessive generosity, but in lack of incentives for activating and in deficiencies in monitoring the behaviour of their beneficiaries.

Box no. 1 New Labour Law Adopted

In mid July, Serbian National Assembly adopted the new Labour Law, which was a subject of debate for a long time among the expert public, as well as source of disagreements between the Government, unions and employers' associations.

Amendments to the Labour Law present a significant progress in labour market regulations in Serbia. Some of the most important provisions that we have suggested on several occasions in the Quarterly Monitor have been adopted. This includes severance pays which, according to the new law, will be paid exclusively for the years of employment spent with the last employer and not for the entire working age of the employee, as was in the past, and in the amount of at least one third of earnings per year of employment. Severance pay due to retirement will be two average wages of the employee, instead of the previously foreseen three. Since severance pays previously had a negative impact on the supply and demand for the older workers, the adoption of this solution, according to our estimate, is a positive one.

The maximum duration of fixed-term contracts has been changed from one year to two, or to three in exceptional circumstances. Also, the age limit of 30 years for concluding contracts for temporary employment through youth organisations has been abolished.

Part-time employment and remote employment, as well as flexible forms of employment, are regulated in more detail by the new law. The new law prescribes providing better information to workers by their employers and unions on the availability of part-time jobs. However, it is our opinion that that alone is not enough to encourage this type of employment, since the tax regulation has not been changed in the part related to the part-time employment. Namely, the minimum contribution base, which is 35% of average gross earnings, is currently around 20,000 dinars, and for someone working part-time with a gross earnings of around 13,000 dinars, the contributions are calculated to a higher amount, i.e. the minimum base. Because of this, part-time employment does not pay off for the employers.

In other words, expectations that the mere change in the Labour Law would improve the situation on the labour market are unrealistic. The law itself presents a problem when it is too rigid or too liberal, which was not the case with the previous solution. In two separate researches, the World Bank¹ and OECD² concluded that the previous labour market regulations in Serbia was not particularly rigid compared to other countries in the region of Southeast Europe or OECD countries. Relatively high employment in grey economy and limited inspection capacity in the formal sector contribute, without a doubt, to a decreased influence of the formal rules on labour market performances, thus additionally improving Serbia's relative position. Therefore, without changes in other areas, the efficiency of the law cannot be completely realised, even if on paper it presents a better solution than the previous law.

¹ World Bank (2005b). Doing Business 2006. Washington, DC.

² OECD, 2008. Serbia: A Labour Market in Transition, Paris: OECD

Wages

Average monthly gross wages were lower by 0.4% in real terms compared to the same quarter last year

According to the data of the Statistical Office of the Republic of Serbia, at year-on-year level, the average monthly gross wages in Q2 were nominally higher by 1.4%, and lower by 0.4% in real terms (Table T3-5). Average monthly net wages in the first quarter of 2014 were slightly lower than 45,000 dinars or 389 euros. Reduction of real wages continues to reflect the negative tendencies in most of the economy, as well as the labour market, but also a bigger share of the grey economy.

Table T3-5. Serbia: Average Monthly Wages and year-on-year indices, 2012-2014

	Average Monthly Wage ¹⁾				Average Gross Monthly Wage Index ²⁾	
	Total labour costs ³⁾ , in dinars	Net wage, in dinars	Total labour costs, in euros	Net wage, in euros	nominal	real
2012						
Q1	63,846	39,068	591	362	111.0	106.0
Q2	68,140	41,664	600	367	109.6	105.3
Q3	67,457	41,187	577	352	106.4	98.4
Q4	71,452	43,625	630	384	108.7	96.8
Dec	76,830	46,923	677	413	106.6	95.1
2013						
Q1	67,704	41,419	606	371	106.0	94.6
Q2	72,143	44,248	644	395	105.9	95.9
Q3	71,469	43,939	626	385	105.9	99.1
Q4	75,089	46,185	648	399	105.1	103.0
2014						
Q1	68,015	41,825	588	361	100.5	97.8
Q2	73,147	44,971	633	389	101.4	99.6

Source: SORS

Notes:

1) Data for 2008 are adjusted on the basis of a wider sample to calculate the average wage, which includes the salaries of employees of entrepreneurs.

2) Y/y wage indices of average monthly gross earnings for 2008 were calculated on the basis of average earnings in 2007 and 2008 and the old sample that does not include those employed by entrepreneurs. However, these indices are comparable with the indices for 2009, given the fact that the expansion of the sample of earnings preserved their growth dynamics and only reduced their nominal value by about 12%.

3) Total labor costs (TLCs) comprise employer's total average expense per worker, including all taxes and social security contributions. TLCs stand at around 164.5% of the net wage. Gross wage growth indices are equal to total labor cost indices, because the average TLC is greater than the average gross wage by a fixed 17.9% of employer based social security contributions

At the year-on-year level, the highest growth in wages in Q2 was still in the sector of information and communication

Year-on-year index of net wages shows that the wages realised in Q2 2014, compared to the same period last year, have increased in only six out of nineteen sectors. The biggest growth was recorded in the sector of information and communication (19.1%), which was also the case in the previous three quarters. They are followed by the growth of wages in the sector of administrative and auxiliary services by 12.4%⁴. In other sectors, the growth of wages was not higher than 1%.

Table T3-6. Year-On-Year Index of Real Net Wages

	Information and communication	Financial and insurance activities	Admin. and support service	Wholesale and retail trade
2012Q1	104.3	109.8	105.4	103.0
2012Q2	116.5	100.4	106.1	110.4
2012Q3	97.1	93.1	102.0	96.0
2012Q4	105.5	93.3	96.6	97.8
2013Q1	95.8	91.3	94.6	97.5
2013Q2	95.9	91.1	85.6	100.4
2013Q3	114.6	101.0	88.5	99.9
2013Q4	112.8	103.0	104.7	104.2
2014Q1	123.3	90.5	89.1	96.8
2014Q2	119.1	95.9	112.4	96.4

Source: QM

Compared to the previous quarter, the wages have increased the most in mining

The biggest decline in wages in the amount of 4% was recorded in the financial and insurance sector, followed by wholesale and retail where the wages in Q2 dropped by 3.6% compared to the same period last year (Table T3-6).

Observed by sectors, as can be seen in Table T3-7, the net wages in Q4 2013 compared to the previous quarter have increased in ten out of nineteen sectors. The highest increase in the amount of 3.6% was realised in mining. In other

⁴ This sector is not related to public administration, but rather includes sectors of rental and leasing, hiring agencies, private security, etc.

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Table T3-7. Real Seasonally Adjusted Net Wages

	Mining	Construction	Financial and insurance activities
2012,Q1	113.50	102.83	106.30
2012,Q2	91.85	100.16	95.23
2012,Q3	96.11	91.22	94.56
2012,Q4	102.59	93.42	98.16
2013, Q1	99.18	101.35	101.63
2013, Q2	100.16	101.57	98.54
2013,Q3	98.62	102.06	103.72
2013,Q4	102.05	101.22	97.61
2014, Q1	98.50	99.47	99.70
2014, Q2	103.56	98.92	97.32

Source: QM

sectors, the growth was insignificant, from 0.1% to 1.5%.

The highest decline in wages of 2.7% in Q2 2014 compared to the previous quarters was realised in the financial and insurance sector. In other sectors, the decline of wages was up to one per cent at the most.