

### 3. Employment and wages

Data from the April 2012 Labour Force Survey (LFS) indicate continued deterioration of the labor market trends - fall in the employment rate and even larger increase in unemployment rate. The employment rate decreased by 1.1 percentage points, compared to October 2011, and in April stood at 44.2%. The female employment rate has continued to decline, but this time a little slower than the male employment rate. The unemployment rate rose from 24.4% to 26.1% between April and October 2012. Unemployment rate for persons between the age of 15 and 24 stood at an extremely high 50.9%, but compared to the previous six month period it declined by only 1 percentage point. The 55-64 age group recorded highest increase in the unemployment rate of 4 percentage points. As well as the overall, so does the formal employment decrease, but mostly due to the reduction in the number of employees by private entrepreneurs. Finally, the total decline in employment took place in the private sector while employment in the public sector increased by a few thousand in the reporting period. Average real wage decreased in the second quarter after several quarters of growth. However, we notice wage growth in the economy, while the average salary in the administration and public enterprises declined in real terms. The growth of wages in the economy is the result of the combined impact of the minimum wage increase from the April of this year, and the decline in number of workers employed with entrepreneurs

#### Employment

*Labor market trends continued to worsen*

*The employment rate declined by 1.1 percentage points, compared to October 2011, and in April stood at extremely low 44.2%*

First half of the 2012 is characterized by the continuation of negative trends on the labor market which started in 2011: the decline in the employment rate and the number of employees and the increase in the number of unemployed.

As a result of the deepening economic crisis in Serbia, further decrease in employment and even more pronounced increase in the number of unemployed, marks the second quarter of 2012. The number of employed, based on the Labour Force Survey (LFS) data, decreased by about 60,000 persons between October 2011 and April 2012. The employment rate decreased by 1.1 percentage points in the same period and in April 2012 stood at 44.2%. This decrease was even more emphasized compared to the previous six-month period (Table T3-1).

Graph T3-1 shows that since October 2008, since the Labour Force Survey is being conducted twice a year, the employment rate decreased steadily and after four years decreased almost ten percentage points. The current rate of 42.2% is significantly lagging behind the average rate in the European Union, which is slightly less than 70%.

**Table T3-1. Serbia: Employment and Unemployment According to the Labor Force Survey<sup>1</sup>, 2008–2012**

		Total number of employed <sup>2)</sup>	Number of employed in agriculture and unpaid family workers 15-64 <sup>3)</sup>	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

Source: Labor Force Survey (LFS), SORS.

Notes:

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

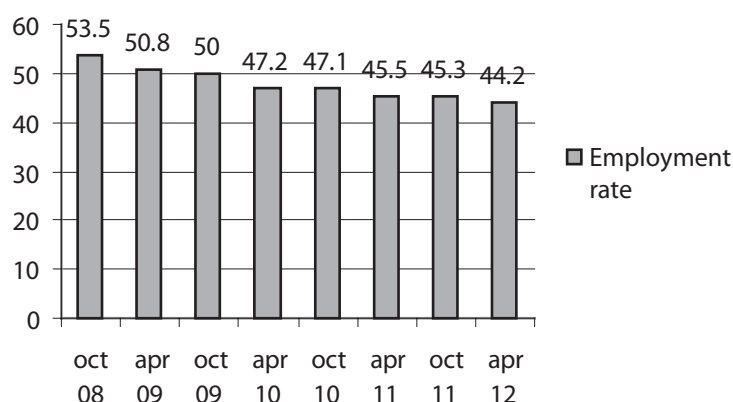
2) Persons of 15-64 years of age are considered to be working population.

3) Prior to October 2008 LFS there was no 15-64 age group classification for the number of employed in agriculture and contributing household members, only 15+.

**The employment rate of women stood at extremely low 37.1% in October 2011, and the employment rate of men stood at 51.1%.**

The employment rate of women dropped by 0.8 percentage points in the period April 2011 – October 2012 and stood at extremely low 37.1%. But this time, unlike the previous six-month period, the employment rate of men decreased even more, by 1.4 percentage points, and in April 2012 stood at 51.1% (see table T3-1).

**Graph T3-1. Serbia: Employment rate, 2008–2012.**



Source: Labor Force Survey (LFS), SORS.

**The unemployment rate increased from 24.4% to 26.1%, while the inactivity rate increased slightly.**

According to the Labor Force Survey, number of unemployed increased by about 45,000 persons between October 2011 and April 2012 increasing the unemployment rate from 24.4% to 26.1%. This time, male unemployment rate grew faster, by 2.1 percentage points, than the corresponding rate for women which increased by 1.1 percentage points (see table T3-1).

After a six-month period of stagnation, the inactivity rate rose slightly from 40.1% in October 2011 to 40.3% in April 2012, indicating, along with the rising unemployment, the deepening of the labor market crises.

The unemployment rate among persons aged between 15 and 24 decreased by 1 percentage point between October 2011 and April 2012 and currently stands at 50.9%.

**The largest increase in the unemployment rate was recorded in the 55-64 age group, by 4 percentage points**

The largest increase in the unemployment rate, of 4 percentage points, mostly affected the oldest members of the working population, those aged 55–64. And for all other age groups (except for those under the age of 25), the unemployment rate rose by 2 percentage points for persons aged 35–44, and by 1.2 percentage points for all others. Observed by the level of education, there was a uniform increase in unemployment for all educational levels of about 2 percentage points.

**The unemployment rate declined the most in the region of Vojvodina**

Since October 2010, Labor Force Survey monitors unemployment rates for four regions. Until then, the Survey monitored the region of Belgrade, Vojvodina, and the Central Serbia region, and since the October 2010 LFS the Central Serbia region is monitored through: the Šumadija and Western Serbia region and the region of Eastern and Southern Serbia.

In the period between October 2011 and April 2012 the unemployment rate increased in all four regions, but mostly in the Vojvodina region – almost 3 percentage points, slightly under 2 pp in Belgrade and the Šumadija region, and by just 0.1 percentage points in the region of Southern and Eastern Serbia.

## Wages

**After three consecutive quarters of growth, the average real wage decreased in Q2 y-o-y**

The average real wage in Serbia, after three consecutive quarters of growth, this time decreases y-o-y by 0.7%. The economy saw a wage growth of 0.8%, while wages in the public enterprises, the Sector of Education and Culture and the Sector of Health and Social Work, saw real decline compared to the same quarter of the previous year (see Table T3-2 and table T3-3).

## 3. Employment and Wages

**Table T3-2. Serbia: Average Monthly Wages and Y-o-Y Indices, 2008–2012**

	Average Monthly Wage <sup>1)</sup>				Average Gross Monthly Wage Index <sup>2)</sup>	
	Total labour costs <sup>3)</sup> , in dinars	Net wage, in dinars	Total labour costs, in euros	Net wage, in euros	nominal	real
	1	2	3	4	5	6
<b>2008</b>	47,882	29,174	586	357	117.8	104.8
<b>2009</b>	52,090	31,758	554	337	108.8	100.6
<b>2010</b>	55,972	34,159	543	332	107.5	101.2
<b>2011</b>	62,213	38,000	610	373	111.1	100.0
<b>2008</b>						
Q1	43,957	26,814	532	324	119.3	106.0
Q2	47,351	28,846	584	356	119.4	104.2
Q3	48,322	29,435	627	382	117.9	105.2
Q4	51,898	31,599	602	366	115.1	104.0
Dec	56,399	34,348	637	388	112.0	103.1
<b>2009</b>						
Q1	49,444	30,120	525	320	112.5	102.2
Q2	52,164	31,808	552	337	110.2	101.3
Q3	52,065	31,737	558	340	107.7	99.8
Q4	54,689	33,366	579	353	105.4	99.5
Dec	60,265	36,789	628	383	106.9	100.2
<b>2010</b>						
Q1	52,261	31,924	530	324	105.7	101.1
Q2	55,989	34,192	548	335	107.3	103.2
Q3	56,435	34,372	537	327	108.4	101.8
Q4	59,204	36,149	556	339	108.3	98.8
Dec	64,784	39,580	609	372	107.5	97.5
<b>2011</b>						
Q1	57,539	35,108	553	338	110.1	97.7
Q2	62,177	37,994	623	381	111.1	97.7
Q3	63,386	38,760	622	380	112.3	101.5
Q4	65,749	40,139	644	393	111.1	102.9
Dec	72,056	43,887	700	426	111.2	103.9
<b>2012</b>						
Q1	63,846	39,068	591	362	111.0	106.0
Q2	68,140	41,664	600	367	109.6	105.3

Source: SORS

Notes:

1) Data for 2008 are adjusted on the basis of the expanded data sample used to calculate the average wage, which includes the salaries of those employed with entrepreneurs.

2) Y-o-Y average monthly gross wage indices for 2008 were calculated on the basis of average earnings in 2007 and 2008 based on the "old" sample that does not include those employed with entrepreneurs. 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%.

The wage growth in the economy can be explained by the increase of the minimum wage, from 102 to 115 dinars per hour of work, while the largest number of employees receives the minimum wage works in the private sector. The ratio of minimum and average wage currently amounts to almost 50% and raises the question whether this high minimum wage is sustainable in the future. Our opinion is that the ratio should be brought into the framework of 30 to a maximum of 40% of average wage. Increasing the minimum wage in the pre-election period is an illustration of how the short-term political points can bring a long-term damaging decision.

**Table T3-3. Serbia: Gross Wages in the Public Sector, 2004-2012, Y-o-Y Real Indices**

	From the budget			Public enterprises		Other <sup>1)</sup>	Serbia average
	Administration - all levels	Education and culture	Health and social work	National public	Local public		
	1	2	3	4	5	6	7
<b>2004</b>	107.4	107.7	110.9	107.9	113.4	113.7	111.4
<b>2005</b>	105.9	106.0	100.8	100.5	103.0	106.9	107.1
<b>2006</b>	109.1	107.2	109.4	110.8	102.9	113.7	111.3
<b>2007</b>	111.1	114.7	123.8	116.7	105.0	114.1	114.6
<b>2008</b>	100.7	105.7	101.3	101.2	95.9	105.7	105.5
<b>2009</b>	95.1	96.3	97.0	97.9	97.8	104.1	101.1
<b>2010</b>	99.1	95.1	94.3	98.1	98.0	104.5	101.2
<b>2011</b>	99.2	95.5	97.2	104.0	95.1	101.1	99.9
<b>2007</b>							
Q1	111.5	112.6	125.4	129.8	113.8	117.3	118.5
Q2	118.6	119.2	131.5	118.9	104.5	117.4	118.6
Q3	114.1	116.7	127.5	112.5	104.1	112.5	114.1
Q4	100.1	110.3	111.0	105.8	97.4	109.0	108.2
<b>2008</b>							
Q1	99.2	109.5	105.6	94.3	98.5	107.3	105.2
Q2	99.6	104.8	99.4	103.0	89.0	104.2	103.1
Q3	100.8	104.7	101.1	103.6	91.7	106.3	105.0
Q4	103.3	103.7	99.2	103.9	104.4	105.1	104.1
<b>2009</b>							
Q1	99.8	97.9	99.4	98.4	100.8	105.1	102.5
Q2	94.0	97.4	98.1	99.0	99.3	104.8	102.0
Q3	93.6	96.2	96.9	98.1	95.4	102.9	100.1
Q4	93.0	93.6	93.5	96.0	95.9	104.0	99.9
<b>2010</b>							
Q1	95.8	96.1	96.1	102.2	98.0	103.5	101.1
Q2	101.0	96.7	95.1	102.1	98.3	106.6	103.2
Q3	100.4	95.1	94.6	94.5	99.8	105.8	101.8
Q4	99.4	92.5	91.2	93.5	95.7	102.4	98.8
<b>2011</b>							
Q1	98.1	89.4	92.0	100.6	92.2	100.4	97.7
Q2	97.8	94.4	97.4	99.9	94.3	98.3	97.7
Q3	100.7	97.5	97.6	108.3	95.1	102.5	101.5
Q4	100.0	100.8	102.0	107.3	98.8	103.3	102.9
<b>2012</b>							
Q1	104.7	104.9	102.5	107.4	103.7	106.7	106.0
Q2	105.3	100.7	99.8	103.4	101.5	107.5	105.3

Source: SORS.

Footnotes:

1) Column 6 includes private, socially-owned and mixed ownership enterprises (excluding entrepreneurs).

2) Column 6 shows an estimate calculated by deducting the wage bill in the public sector from the total wage bill. The difference is divided by the number of workers employed in the real sector (column 7, Table T3-3).

3) Real y-o-y wage indices in columns 6 and 7 from 2008 onwards are calculated on the basis of the expanded sample for calculation of average earnings, which now includes entrepreneurs.

Looking at the real seasonally adjusted data on net wages in these sectors (see Table 3-4), similar trends can be noticed: in Q2, compared to Q1, wages decreased in the public enterprises, the Sector of Education and Culture and the Sector of Health and Social Work, while they increased in the economy.

**T3-4: Real seasonally adjusted net wages, chain indices**

	Economy	Public State Enterprises	Public Local enterprises	Administration (all levels)	Education and Culture	Health and Social Work
2011, Q1	98.6	109.1	97.4	99.2	96.5	99.7
2011, Q2	100.5	97.3	101.8	100.2	103.3	102.6
2011, Q3	104.8	100.7	99.5	101.1	100.7	98.8
2011, Q4	99.4	100	100.3	100.9	100.5	101
2012, Q1	102.2	109.2	102	100.7	100.2	100.3
2012, Q2	101	94.5	99.7	100.7	99.3	99.6

Source: QM calculations

### 3. Employment and Wages

Taking into account that by the end of the 2012 fall of GDP is anticipated, we expect that the employment rate will continue to decline and the unemployment rate to increase and that probably the decline in the real value of wages will follow.

#### Box 1. Increasing activity and employment of young

Labor Force Survey data indicates that the unemployment rate of young people aged 15-24 reached an extremely high 50% in April 2011, and for over a year remained at this level. At the same time, this age group records the highest inactivity rate of 70%.

In FRENs latest study, dealing with the possibilities for the growth of the activity and employment rates in Serbia, special attention is given to the young population, which faces these problems. In this age group many of them are still in school so we expanded our research group to 29 years of age, while International Labour Organization defines young people as those aged between 15 and 24. Education is the main reason for the level of inactivity rates of this age group - data on those who are not actively seeking work.

The table T3-5 shows that the transition dynamic between the work statuses significantly differs for the youth depending whether they are educated or not.

**Table T3-5. Transition matrix of youth (15-29), April 2011 – October 2011**

Status in April 2011		Status in October 2011			Total
		Employed	Unemployed	Inactive	
Not in School	Employed	253,730	30,311	6,099	290,140
		87.50%	10.40%	2.10%	100.00%
	Unemployed	21,497	139,424	19,563	180,484
		11.90%	77.30%	10.80%	100.00%
	Inactive	21,334	29,985	79,381	130,700
In School	Employed	12,013	0	4,337	16,350
		73.50%	0.00%	26.50%	100.00%
	Unemployed	0	7,234	15,060	22,294
		0.00%	32.40%	67.60%	100.00%
	Inactive	6,345	5,124	523,914	535,383
Total	Employed	18,358	12,358	543,311	574,027
		3.20%	2.20%	94.60%	100.00%
	Unemployed	0	7,234	15,060	22,294
		0.00%	32.40%	67.60%	100.00%
	Inactive	6,345	5,124	523,914	535,383

Source: QM calculations based on the LFS April 2011 and LFS October 2011

The greatest differences between these two youth groups exist in terms of transitional dynamics of inactivity: most young people in school, 97.9% of them, remains inactive in both periods, unlike the mere 60.7 of the young that are not in school. Additionally, even 22.9% of young people who are not in school passed from inactivity in October of 2010, to unemployment (hence, started active search for a job) in April 2011, while mere 1% of the young in school had a same transition. Finally, even 16.3% of inactive youth who were not in school in October 2010 found a job after six months, and only 1.2% of the young who were at school.

However, in 2011 number of transitions from inactivity to employment significantly rose for young people who are not in school, considerably higher, compared to the previous six-month period (October 2010 – April 2011), when merely 3.5% of young people who are not in school passed from inactivity to employment. This positive development can be explained by the influence of the seasonal factor, but also potentially by intensive use of the active labour market policies by the National Employment Agency and local governments, which recorded the highest expansion in that period, for example the "First chance" program. According to the data from the former Ministry of Economy and Regional Development, around 20 thousands of persons younger than 30 years of age, in 57000 of companies, participated in this program. Additionally,

in the mentioned period, the Promotion of Youth Employment program jointly carried out by the United Nations agencies in Serbia and targeted at the young people without professional education and the young people with additional factors of vulnerability, which are also the groups with the highest inactivity rates - was also very active.

Unfortunately, 2012 saw a reduction in the funds for the financing of active labor market policies (ALMP), influencing the funds for financing of labor market programs targeted at the population of young. As we described in previous issues of QM, practices from the other countries show that the higher spending for active labor market policies pays off, especially in the in-company training and practice domain. Employers, according to research, do not spend funds on education of young workers. They will rather invest in education of more experienced workers which have been in the company for a long time. The Government therefore needs to pay special attention to those young people who dropped out of school or have lower levels of education – for them training and practice is needed the most and the employers are not keen to that if the government does not encourage them.