

3. Employment and wages

Trends on the labor market once again deteriorated strongly in 2011 following stabilization of almost all indicators in 2010. Employment rate dropped by 1.6 percentage points and in April 2011 stood at 45.5%. Female employment rate in that month stood at the alarmingly low 38.8% while the male employment rate amounted to 52.2%. However, since male employment rate dropped more quickly than female, the gap between those employment rates narrowed slightly. Unemployment rate grew significantly from 20 to 22.9% between October 2010 and April 2011. Unemployment rate for persons between the ages of 15 and 24 stood at an extremely high 49.9% while the unemployment rate for persons between 25 and 34 years of age rose by 2.8 percentage points and in April 2011 stood at 30.3%. Preliminary LFS data for October 2011 showed that the trends on the labor market continued to deteriorate. Formal employment also dropped but mostly because of a drop in the number of entrepreneurs and their employees. For the first time, a y-o-y rise of the number of employees in the Manufacturing sector was registered indicating that the trend of declining formal wage employment is ending. Finally, the overall drop in employment over the past year was in the private sector since employment in the public sector remains unchanged. The average real wage in Q3 started to rise after a constant nine-month drop. The greatest part of this average wage growth can be attributed to a significant y-o-y leap in the average wage in public companies from the nominal 19.8%, i.e. 8.3% in real terms, which followed the unfreezing of the public sector wages at the end of 2010. The real y-o-y growth of the average wage in the economy in Q3 stood at 2.6% and we can say that the average wage, except in public companies, in Q2 and Q3 2011 mainly remained stable.

Employment

Trends on the labor market deteriorate again in 2011

Trends on the labor market once again started deteriorating rapidly following stabilization of all indicators in the second half of 2010.

Employment rate drops by 1.6pp to stand at 45.5% in April

The strong drop in employment continued in 2011, a year after the official end to the recession. The number of people employed based on the Labor Force Survey (LFS) dropped by about 78,000 between October 2010 and April 2011. Employment rate dropped by 1.6 percentage points in the same period and in April 2011 it stood at 45.5%. That drop came after its stabilization in the previous six month period (Table T3-1).

Tabela T3-1. Serbia: Employment and Unemployment According to the Labor Force Survey¹⁾, 2008–2011

		Total number of employed 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

Source: Labor Force Survey (LFS), SORS.

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+.

Female employment rate in April 2011 stood at alarmingly low 38.8% and male employment rate at 52.2%	Female employment rate dropped by 1.1 percentage points between October 2010 and April 2011 when it stood at an alarmingly low 38.8%. Male employment rate dropped by 2.2 percentage points in the same period and in April 2011 it stood at 52.2%. The trend according to which the gap between female and male employment rates narrowed continued because female employment, although lower, proved to be more resistant to the crisis. That trend is linked to the fact that women are more often employed in the public sector which did not adapt to the crisis by cutting down employee numbers to the same extent that the private sector did (Table T3-1).
Unemployment rate increases from 20 to 22.9%	According to LFS, the number of unemployed between October 2010 and April 2011 rose by a significant 83,000 which increased the unemployment rate from 20 to 22.9%. Because of the significant drop in male employment, the unemployment rate for women and men almost converged, that is the difference come to the insignificant 0.4 percentage points (Table T3-1).
Unemployment rate for persons aged 15-24 extremely high at 49.9%	The highest rise in unemployment rates and the absolutely highest unemployment level was among persons aged between 15 and 24. Their unemployment rate rose between October 2010 and April 2011 by 3.8 percentage points and stood at an extremely high 49.9%.
Unemployment rate for persons aged 25-34 rose by 2.8 percentage points and stood at 30.3% in April	A significant rise in unemployment rates affected people aged between 25 and 34 in the same period. Their unemployment rate rose by 2.8 percentage points and in April 2011 it stood at 30.3%. According to education level, the highest unemployment rate is among people without education – 26% (that rate remained at the same level as in October 2010) followed by people with high school diplomas whose unemployment rate rose from 22.9% in October 2010 to 25.3% in April 2011.
Unemployment rate rose while inactivity rate stopped growing	The level of inactivity stopped rising for the first time since the start of the crisis and remained stable between October 2010 and April 2011. This could possibly indicate that some of the discouraged people who lost their jobs are active again in seeking employment because the perceptions and expectations of people on the labor market have improved in regard to finding employment. However, it is possible that people who became inactive earlier started to actively seek employment because they exhausted alternative coping mechanisms.
Preliminary October 2011 LFS data indicate a continued trend of deterioration on the labor market	Preliminary LFS data for October 2011 indicate a continued trend of deterioration on the labor market between October 2010 and April 2011. Those negative trends show that the transitional restructuring of the labor market has not been finished yet and will continue to increase the effects of the economic crisis.
Formal employment also drops y-o-y but mostly because of drop in number of entrepreneurs and their employees	Formal employment also dropped between September 2010 and September 2011 but not as drastically as overall employment. Since almost the entire drop in the number of formally employed comes from entrepreneurs, we can conclude that the level of formal employment for salary is slowly stabilizing while self-employment continues to drop significantly (Table T3-2). ¹
First y-o-y rise in number of employees in the Manufacturing sector	Viewed y-o-y, the number of employees in the Manufacturing sector rose for the first time by 2,000 (0.7% within the sector) in September 2011 (Table P-5 in the Analytical appendix). Since the Manufacturing sector was faced with the greatest drop in the number of employees since the start of the economic crisis, this trend also gives rise to hope that the stabilization of formal wage employment over the past year has stabilized.
	The number of unemployed registered with the National Employment Service dropped by about 31,000 between March and September 2011 (Table T3-2, column 7), does not necessarily reflect the trends in economically defined unemployment. As we know, the dynamics of that indicator can depend on various administrative elements such as the updating of records or abolishing certain privileges linked to the administrative status of unemployed persons.

¹ Data on company employees for September 2011 are preliminary while the data on entrepreneurs and their employees are still not available for the period after March 2011.

Tabela T3-2. Serbia: Number of Registered Employed and Unemployed¹⁾, 2004–2011

		Total no. of employed	Employees in legal entities ²⁾	Entrepreneurs			Total no. of employees	Number of unemployed (NES)
				Total	No. of entrepreneurs	No. of employees with entrepreneurs		
		1 (=2+3)	2	3 (=4+5)	4	5	6 (=2+5)	7
in thousands								
2004	March	2,065	1,601	464	208	255	1,856	..
	September	2,037	1,560	477	210	267	1,827	843
2005	March	2,070	1,557	513	228	285	1,842	884
	September	2,067	1,536	531	230	300	1,836	898
2006	March	2,032	1,496	536	228	308	1,804	920
	September	2,019	1,447	572	242	330	1,777	915
2007	March	2,004	1,438	566	239	327	1,765	913
	September	2,001	1,428	573	245	328	1,756	808
2008	March	2,006	1,432	574	245	329	1,761	795
	September	1,993	1,425	568	245	323	1,748	726
2009	March	1,911	1,411	500	210	290	1,701	758
	September	1,868	1,383	485	211	274	1,657	737
2010	March	1,817	1,362	455	199	257	1,618	778
	September	1,775	1,348	427	183	244	1,592	721
2011	March	1,755	1,349	405	1,349	774
	September	1,755	1,349	405	1,349	743

Source: SORS – The semi-annual report on employed persons and wages of the employed persons RAD-1/P; the update to the semi-annual survey RAD-1; Semi-annual survey on private entrepreneurs and their employed workers RAD-15; the National Employment Service.

Notes: The data for September were corrected on the basis of semiannual survey RAD-1 / P of March 2011.

1) By the registered number of employed, we refer to the formal economy, i.e. those employees with employment contracts and for whom social security contributions are being paid.

2) By the registered number of unemployed, we refer to those persons that have registered with the National Employment Service (NES). NES moved from monitoring the number of job seekers to the number of unemployed persons in September 2004. This is why we do not have these data for the previous period (column 7).

About 63% of registered unemployed seek employment for more than 12 months

Monitored from the start of the crisis (in September 2008) the number of registered people unemployed rose by 17,000 people or 2.3%. The structure of the registered unemployed is very unfavorable considering the fact that 63% of them have been looking for work for more than 12 months which puts them among the long-term unemployed. The interesting thing is that since the start of the crisis, the participation of the long-term unemployed has dropped in overall administrative unemployment which is counter-intuitive and can be explained with updating records by clearing the registry of people who are actually not seeking employment.

Overall drop in employment occurred within the private sector since employment in public sector remains unchanged

Employment in the public sector remains almost unchanged between March and September 2011 apart from the regular seasonal cycle of the number of employees in education which we cannot explain. That is why we can say that in the past year, as in the earlier period, the overall drop in employment is in the private sector (Table T3-3).

Frame 1. Implementation of National Employment Strategy 2011–2020

The government of the Republic of Serbia adopted a National Employment Strategy for the 2011-2020 period in May 2011. The main goals of the Strategy are creating new jobs and reducing poverty through employment. The basic assumption of the Strategy is that Serbia will become a candidate for European Union accession, which will give it access to EU financial instruments. Also, the Strategy is based on the assumption set out in the study Post-Crisis Model of Economic Growth and Development that the average rate of GDP growth in this decade will stand at 5.8% while employment rate will exceed 60% in 2020 (which includes a rise in the number of people employed by about 440,000). According to predictions in the Strategy, employ-

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ment should reach its lowest level in 2010 while a return to the level of employment prior to the economic crisis is expected in 2013.

Although the strategy was only adopted in May 2011, the main predictions about achieving its quantified goals were completed in 2010. We are in a position to compare estimates for 2011 in the Strategy with the results of the April Labor Force Survey (LFS) and we can conclude that the Strategy forecasts are more optimistic than the real situation on the labor market. The expected rate of unemployment for 2011 is 48.6%, while the real rate in April stood at 45.5%. The strategy predicted that 238,565 more persons will be employed in 2011 than was the case, at least until April 2011. The predicted unemployment rate was 17.9% and the real one is 22.9% which shows that almost 100,000 more persons are really unemployed than it was forecasted by the Strategy.

Although it is perhaps too early to draw a final conclusion before the publication of LFS for October 2011, it is clear that the goals of the Strategy set for 2011 will not be achieved.

Tabela T3-3. Serbia: Public Sector Employment, 2004–2011

		Employees in legal entities						
		Public sector					Public sector - total	Other ¹⁾
		From the budget			Public enterprises			
		Administration - all levels	Education and culture	Health and social work	National public	Local public		
	1	2	3	4	5	6	7	
		in thousands						
2004	March	63	117	147	125	57	509	1,092
	September	63	116	148	124	57	508	1,052
2005	March	63	119	148	122	61	513	1,044
	September	61	117	147	112	61	498	1,038
2006	March	60	118	141	105	61	485	1,011
	September	58	117	138	102	60	475	972
2007	Mart	58	121	138	100	59	476	962
	September	59	120	139	100	58	476	952
2008	March	60	124	140	99	58	481	951
	September	61	122	141	100	58	482	943
2009	March	64	125	142	89	57	478	933
	September	64	123	142	88	57	473	910
2010	March	62	124	142	87	56	472	890
	September	63	122	143	86	56	470	878
2011	March	61	124	143	84	57	469	880
	September	62	122	143	84	57	469	880

Source: SORS.

Note: Those employed in the Ministry of Defense and the Ministry of the Interior, even though financed from the budget, do not enter the total balance of the employed persons presented in this table. Their numbers are estimated at around 80,000, and they add another 4% to the total number of employed in Serbia. The data on their exact numbers and wages are not published by the SORS because of national security concerns.

1) Private, socially-owned and mixed ownership enterprises (without entrepreneurs). This column is not disaggregated further due to data availability limitations. The number presented in column 7 is calculated by subtracting the total number of employees in public enterprises and those financed from the budget from the total number of employees in legal entities.

Wages

The average real wage in Q3 is starting to grow y-o-y following a constant nine-month drop

The average real wage in Q3 2011 has started rising again although by a very low 1.5%. That rise came after a constant nine-month drop in the average real wage; in Q2 2011 the average wage dropped by 2.3%. The rise in the average nominal wage sped up and for the first time since the start of the crisis it reached a high 12.3%. Viewed in Euros, the average y-o-y wage rose in both Q2 and Q3 2011 (Table T3-4).

Tabela T3-4. Serbia: Average Monthly Wages and Y-o-Y Indices, 2008–2011

	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
	1	2	3	4	5	6
2008	47,882	29,174	586	357	117.8	104.8
2009	52,090	31,758	554	337	108.8	100.6
2010	55,972	34,159	543	332	107.5	101.2
2008						
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
2009						
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
2010						
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
2011						
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

Source: SORS.

1) Data since 2008 are adjusted on the basis of the expanded data sample to calculate the average wage, which now includes the salaries of entrepreneurs.

2) Y-o-y wage indices of average monthly gross earnings for 2008 are calculated from the average earnings for 2007 and 2008 based on the old sample that does not include 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, while their nominal value was reduced by about 12%.

3) Total labour costs include employer's total average expense per worker, including all taxes and social security contributions. TLCs amount to around 164.5% of the average net wage. Gross wage indices are equal to total labour cost indices, because the average TLC is larger than the average gross wage by a fixed 17.9%.

Significant y-o-y wage leap in public companies in Q3 – nominal 19.8%; real 8.3%

The rise of the average wage in Q3 can be attributed mainly to the very high nominal y-o-y rise in wages in public companies by 19.8% (real 8.3%). That significant leap came because of the unfreezing of wages in late 2010 followed by payment of additional fringe benefits and wage arrears. The rest of the public sector saw their wages drop in real terms by several percentage points in both Q2 and Q3, in accord to the dynamics of previous years (Table T3-5).

Real y-o-y rise of wages in the economy in Q3 2.6%

The real y-o-y rise of wages in the economy in Q3 2011 stood at 2.6% so that the economy pulled forward the rise of average wages (Table T3-5). But, it is very possible that the rise of average wages in the economy happened because of the fact that more low-income earners lost their jobs during the crisis. We can conclude that the average wage, except in public companies, remained mainly stable in Q2 and Q3 2011.

Tabela T3-5. Serbia: Gross Wages in the Public Sector, 2004–2011, Y-o-Y Real Indices

	From the budget			Public enterprises		Other ¹⁾	Serbia average
	Administration - all levels	Education and culture	Health and social work	National public	Local public		
	1	2	3	4	5	6 ²⁾	7 ³⁾
2004	107.4	107.7	110.9	107.9	113.4	113.7	111.4
2005	105.9	106.0	100.8	100.5	103.0	106.9	107.1
2006	109.1	107.2	109.4	110.8	102.9	113.7	111.3
2007	111.1	114.7	123.8	116.7	105.0	114.1	114.6
2008	100.7	105.7	101.3	101.2	95.9	105.7	105.5
2009	95.1	96.3	97.0	97.9	97.8	104.1	101.1
2010	99.1	95.1	94.3	98.1	98.0	104.5	101.2
2007							
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
2008							
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
2009							
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
2010							
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	106.0	101.8
Q4	99.4	92.5	91.2	93.5	95.7	102.3	98.8
2011							
Q1	98.1	89.4	92.0	100.6	92.2	100.3	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	102.6	101.5

Source: SORS.

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.