

## CHANGES IN THE LABOUR MARKET – EUROPEAN UNION AND SERBIA \*

UDC 331.5:339.923 331.5(497.11)

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**Abstract.** *The paper discusses the changes in the labour market in the European Union and in Serbia, namely the changes that emerge as a consequence of the adjustment to the social, economic, political and demographic changes in the modern world. The development of new technologies and knowledge economy lays an ever greater stress on the quality of the labour force as a factor of improving an economy's competitiveness in the world market. On the other hand, mass unemployment appears as one of the most important problems of the modern society development. When it comes to Serbia, labour market reform is indispensable for creating the conditions for market economy development as well as for Serbia's successful integration into the EU. The first part of the paper represents an analysis of the EU politics in the domain of employment, changes in the rate of employment and unemployment, and the issue of free labour mobility within the EU. The second part of the paper represents a discussion on the Serbian labour market characteristics, namely, rates of employment and unemployment, informal labour market and labour force mobility. Finally, the discussion focuses on the possible effects of the EU enlargement upon the tendencies in the labour market as well as the process of the labour market reform in Serbia.*

**Key Words:** *Labour Market, EU, Serbia, Employment, Unemployment, Labour Force Mobility*

Contemporary social, economic and political processes (*i.e.*, globalization of the world economy, social, technological and demographic changes, the rise of the neoliberal development conception, the transition of the post socialist societies, the formation of the transnational economic integration) bring about the changes in the international labour division whose consequences are also evident in the labour markets of individual countries,

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Received February 20, 2004

\* Paper researched within the project *Cultural and Ethnic Relationships in the Balkans – Possibilities of Regional and European Integration* (1310), realized at the Institute of Sociology, Faculty of Philosophy, Niš and financed by the Ministry of Science, Technologies and Development of the Republic of Serbia

namely, the growth of the unemployment rate, changes in the forms of employment (more frequent forms of temporary engagement, part-time employment, self-employment), increasing insecurity of employment, dislocation of production facilities from the developed countries to those with cheap labour force and the like. On the other hand, the development of new technologies and of knowledge-based economy increasingly stresses the labour force quality as a factor of improving competitiveness of a given economy at the world market. In order to realize their economic growth, the European Union states are forced to adjust their labour markets to the global competition needs. On the other hand, Serbia is in the process of creating its labour market that should be able to meet the demands of the market economy. Despite an enormous difference in the extent of development, some common problems can be singled out (such as mass unemployment, flexible employment, and the role of the state) so that common experience can be used in solving the mentioned problems. Likewise, the proclaimed objective of integration into the European Union requires the creation of such conditions under which the Serbian labour market should be successfully integrated into the European Union market.

#### LABOUR MARKET IN THE EUROPEAN UNION: BASIC CHARACTERISTICS

The tendency to improve the economic performances of the member countries and the Union as a whole as well as the creation of a balanced economic development are some of the goals of the economic and political integration of the European Union states. The targets of the social and economic development of the EU are defined in a set of the EU documents starting from the Treaty Establishing the European Economic Community (Rome, 1957), the Maastricht Treaty (1992) and the Amsterdam Treaty (1997), as well as a series of other documents (White Papers, Action Programmes, and the like). Within these goals, a prominent place is taken by the promotion of employment and the reduction of unemployment as a means of keeping up the economic and social development and of the life quality improvement. The stimulation of the changes in the labour market and education as well as the encouragement of the information technology development should all allow for an increased competitiveness of the European economy at the world market. The need to invest into human capital is especially stressed in the White Book on Growth, Competitiveness and Employment (1993), which was followed by the adoption of the European Employment Strategy (The Extraordinary European Council Meeting on Employment, or Jobs' Summit, Luxembourg 1997, Employment Policies, 1998). Within this strategy four "pillars" of the common European politics in the labour market domain are defined, namely, entrepreneurship, employability, adaptability and equal opportunities. The formation of a common European labour market should ensure the encouragement of exchange and mobility of labour as well as coordination of the social security regimes in order to overcome barriers to mobility. The European Employment Service network (EURES) is established in order to provide information about job opportunities throughout the EU. On the basis of all this, it is possible to define a list of the EU targets in the field of employment and unemployment (Schmitt, Noll: 33):

1. Promotion of a high employment level (promotion of youth employment, the growth of the female employment rate, the creation of new jobs in the fields of potential growth, promotion of entrepreneurship culture),

2. Flexibility in the organization of work (promotion of flexibility of the work time distribution, encouragement of mobility),
3. Improvement of the working conditions (improvement of health and working safety, reduction of accidents at work and professional diseases), and
4. Unemployment (unemployment reduction, decrease of long-term unemployment, reintegration of long-term unemployed into the labour market through their qualifications improvement).

The concrete targets of the EU in the field of the labour market up to 2010 include the achievement of the employment level of 70%, women participation of 60%, improvement of lifelong training, development of the common statistics system, etc. At the European Council meeting in Lisbon (March, 2000), the EU set up its strategic targets for the on-coming decade, namely, that it should become the most competitive and the most dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion.

### Employment

The employment level in West European countries has been continually rising since the mid-seventies till the early nineties with a satisfying average growth of 1,8% (Stojanović: 128). In the nineties there came a slow-down of the employment rate at the Union level while important differences among particular countries could be still perceived (Table 1). In the year of 2001 the highest employment rates were in Denmark, Holland, Sweden and Great Britain (above 70%) while the lowest employment rates were in Italy, Greece, Spain and Belgium (below 60%).

Table 1. Total employment rate – Employed persons aged 16-64  
as a share of the total population of the same age group

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
EU15	:	:	59.8	60.1	60.3	60.7	61.4	62.4	63.4	64.1
Belgium	56.3	55.8	55.7	56.1	56.2	56.8	57.4	59.3	60.5	59.9
Denmark	73.7	72.1	72.3	73.4	73.8	74.9	75.1	76	76.3	76.2
Germany	66.4	65.1	64.7	64.6	64.1	63.7	63.9	64.8	65.4	:
Greece	53.7	53.7	54.2	54.7	55	55.1	55.5	55.3	55.7	55.4
Spain	48.9	46.5	45.9	46.8	47.9	49.3	51.2	53.7	56.2	57.7
France	59.9	59.3	59.1	59.6	59.6	59.6	60.2	60.9	62.1	62.8
Ireland	51.4	51.9	53.3	54.6	55.6	57.8	60.5	63.2	65.1	65.7
Italy	:	52.2	51.3	50.9	51.2	51.3	52	52.7	53.8	54.9
Luxembourg	61.4	60.8	59.9	58.7	59.2	59.9	60.5	61.7	62.7	:
Netherlands	63.8	63.7	64	64.7	66.1	68.1	69.9	71.4	72.9	74.1
Austria	:	:	68.5	68.7	67.9	67.9	67.9	68.6	68.4	68.4
Portugal	67.9	66	64.7	63.8	63.9	65.2	66.6	67.4	68.2	68.7
Finland	65.4	61.3	60.6	61.8	62.6	63.5	64.7	66.5	67.4	68.2
Sweden	75.9	71.3	70.2	71	70.4	69.5	70.3	71.7	73	74.1
United Kingdom	68.2	67.7	68.1	68.6	69.1	70	70.6	71	71.5	71.8

Source: EUROSTAT, 2003

When it comes to the employment rate with respect to gender, there are differences regarding male and female employment. One of the goals of the EU politics in the field of employment is increased participation of women; on the other hand, one of the factors of unemployment increase in the EU is an increased presence of women at the labour market. The female employment rate is lower compared to the male employment rate (Fig. 1). In the period from 1995 to 2002 the female employment rate grew for about 5,9% while the male employment rate grew only for 1,8%. In addition to this increase, in the first quarter of 2002, the male employment rate (72.9%) was for 17.4% higher than the female employment rate (55.5%).

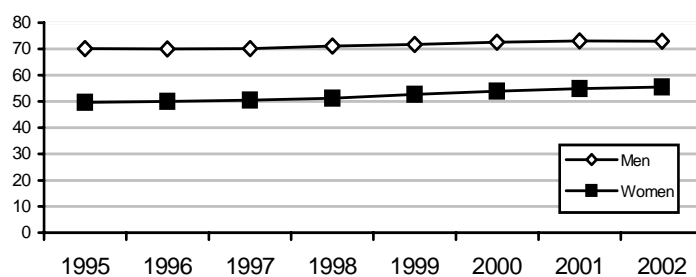


Fig. 1. Male and Female Employment in the EU, 1995 - 2002

Source: EUROSTAT, 2003

### Unemployment

According to the estimates made in October 2003, there were 14.3 millions of unemployed in the European Union. At the same time, the number of the unemployed was 12.4 millions in the countries of the Eurozone.

Table 2. Unemployment Rate in the EU Countries, 1993 - 2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Belgium	8.6	9.8	9.7	9.5	9.2	9.3	8.6	6.9	6.7	7.3
Denmark	9.6	7.7	6.7	6.3	5.2	4.9	4.8	4.4	4.3	4.5
Germany	7.7	8.2	8.0	8.7	9.7	9.1	8.4	7.8	7.8	8.6
Greece	8.6	8.9	9.2	9.6	9.8	10.9	11.8	11.0	10.4	10.0
Spain	18.6	19.8	18.8	18.1	17.0	15.2	12.8	11.3	10.6	11.3
France	11.3	11.8	11.3	11.9	11.8	11.4	10.7	9.3	8.5	8.8
Ireland	15.6	14.3	12.3	11.7	9.9	7.5	5.6	4.3	3.9	4.4
Italy	10.1	11	11.5	11.5	11.6	11.7	11.3	10.4	9.4	9.0
Luxembourg	2.6	3.2	2.9	2.9	2.7	2.7	2.4	2.3	2.1	2.8
Netherlands	6.2	6.8	6.6	6.0	4.9	3.8	3.2	2.8	2.4	2.7
Austria	4.0	3.8	3.9	4.4	4.4	4.5	3.9	3.7	3.6	4.3
Portugal	5.6	6.9	7.3	7.3	6.8	5.1	4.5	4.1	4.1	5.1
Finland	16.3	16.6	15.4	14.6	12.7	11.4	10.2	9.8	9.1	9.1
Sweden	9.1	9.4	8.8	9.6	9.9	8.2	6.7	5.6	4.9	4.9
United Kingdom	10.0	9.3	8.5	8.0	6.9	6.2	5.9	5.4	5.0	5.1
EU15	10.1	10.5	10.1	10.2	10.0	9.4	8.7	7.8	7.4	7.7

Source: EUROSTAT, 2003

The unemployment rate in the European Union countries in 2002 was 7.7% (Table 2). When the employment rates between particular countries are compared, important differences are noticed. The highest unemployment rate was in Spain 11.3%; next to it, a two-figure rate is found in Greece. The lowest unemployment rate was in Holland and Luxembourg (below 3%) while the rate below 5% was in Austria, Ireland, Denmark and Sweden. An unemployment rate higher than the average for the EU, in addition to Spain and Greece, was found in Finland, Italy, France and Germany. Great Britain and Portugal had the unemployment rate of 5.1% while for Belgium it was 7.3%.

In the last ten years unemployment at the European Union level has been reduced for 2.4%. In this period, unemployment has witnessed a continual drop; only in 2002 there was a recorded growth of 0.3% compared to the year before that. The greatest reduction was in Ireland (11.2%), Spain (7.3%) and Finland (7.2%). Four countries have a somewhat higher unemployment rate in 2002 compared to 1993 (Luxembourg, Austria, Germany and Greece). Compared to 2001, a small increase was noted in 2002 in the majority of the countries (with the exception of Greece and Italy where the decreasing trend was continued while Sweden and Finland preserved the same level as in the year before that).

Table 3. Unemployment rate in the EU, USA, Japan and ACC 1993 - 2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
USA	6.8	6.1	5.6	5.4	4.9	4.5	4.2	4.0	4.8	5.8
Japan	2.5	2.9	3.1	3.4	3.4	4.1	4.7	4.7	5.0	5.4
EU15	10.1	10.5	10.1	10.2	10.0	9.4	8.7	7.8	7.4	7.7
ACC	:	:	:	:	:	:	:	13.6	14.5	14.8

Source: EUROSTAT, 2003

Despite the unemployment decrease, the unemployment rate in the European Union is higher, compared to its two main competitors in the world market, the USA and Japan (Table 3). On the other hand, the countries - future members - have almost twice as high an unemployment rate as those already in the European Union, which would be a problem after those countries' integration into the Union. Among those countries, the highest unemployment rate is in Poland (19.9%), Slovakia (18.6%) and Bulgaria (18.1%) while the unemployment rate below the average is in Cyprus, Hungary, Slovenia, Romania, Czech and Malta.

In the last ten years the gap caused by the difference in the unemployment rate among the member states has been reduced. In the year of 1993 the gap between the country with the highest (Spain, 18.6%) and the country with the lowest unemployment rate (Luxembourg, 2.6%) was 16%; in the year of 2002 the gap between Spain and Holland, that is, the countries with the highest and the lowest unemployment rates was 8.6%.

It is interesting that, while the differences in the unemployment rates among the EU member states are decreasing, the regional differences in the unemployment rates within particular countries increase with time (Table 4). In addition to the underdeveloped regions, especially the Mediterranean countries, high unemployment rates are to be found in the regions with the traditional industry that was, in the seventies and eighties, radically restructured or closed down (for instance, northern and central parts of Great Britain). In the year of 2002, the lowest unemployment rate was in Tirol in Austria (2%) while the highest was in the region of Réunion in France (29.3%).

Table 4. The lowest and the highest unemployment rates  
in the EU in the year of 2002 by regions

The lowest unemployment rate			The highest unemployment rate		
Country	Region	Rate	Country	Region	Rate
Austria	Tirol	2.0	France	Réunion	29.3
Netherlands	Utrecht	2.2	Germany	Halle	27.1
Netherlands	Zeeland	2.3	France	Guadeloupe	26.0
Netherlands	Gelderland	2.4	Germany	Dessau	25.9
Netherlands	Noord-Brabant	2.4	Italy	Calabria	24.6
Portugal	Acores	2.5	France	Guyane	24.4
Portugal	Madeira	2.5	Germany	Mecklenberg-Vorpommern	23.6
Austria	Vorarlberg	2.5	Germany	Leipzig	23.1

Source: EUROSTAT, 2003

### Free Flow of Labour

The labour mobility is motivated by the differences in wages between one's home country and abroad. The barriers to an unhindered labour flow through various countries are of two kinds. The first group of barriers are of legal nature and refer to the legal regulations of the countries attractive to immigrants by which the possibilities of foreign workers' stay and employment are restricted. The unions are trying to restrict the influx of the foreign labour and thus lower the pressure on the levels of employment and wages. The second group of barriers refer to implicit adjustment costs related to language, culture, social displacement and the like.

One of the most important consequences of the establishment of the European economic integration is mobility of labour. The White Paper of 1985 completed the process of the institutional building-up of a common market of labour, capital, goods and services. Even before that, that is, as early as 1968, a treaty came into force that enabled mobility of the workers on the territory of all the member states. It guaranteed to all the citizens of the member states the rights to find employment in any of the ECE states, to settle down and exert all of their social, union and other rights just like resident workers. Free flow of labour in the EEC Treaty means the "abolition of any discrimination based on nationality between workers of the Member States as regards employment, remuneration and other conditions of work and employment."

The labour mobility in the EU can be regarded from two aspects, namely, regarding the workers' mobility within the EU across the state borders and the mobility of the labour from the states outside the EU. When it comes to the former aspect, it can be concluded that in the EU states there is a low level of the geographic labour mobility. According to the EUROSTAT data from 1995, at the EU level, 95.3% of the labour force are resident workers. Of 4.7% of the labour force made up of foreign workers, 37.1% are workers from other EU countries. In comparison with the USA, the level of the population mobility is almost twice as low. The future trend of the geographic labour mobility will be also affected by the demographic changes. The rate of the working age population is expected to decrease after 2011, which means that the older worker participation will grow while the younger worker participation that is more mobile will decrease. The measures carried out by the EU for the promotion of geographic labour mobility involve: elimination of le-

gal and administrative barriers, improvement of language knowledge, cooperation between educational systems and educational and training qualification recognition as well as a common immigration policy.

The latter aspect of the labour mobility refers to the influx of the workers coming from outside the European Union. Regarding the fact that the EU states are developed and with high wages, they are very attractive to immigrants from various countries. This refers to underdeveloped Asian and African countries (especially ex-colonies) as well as the countries in transition. In the periods of economic expansion and shortage of labour force (as was the case in the post-war period in West Europe), the possibilities of employment of foreign workers are greater. They mostly get poorly paid, often take health risk jobs, work under poor conditions, and do jobs with poor reputation, namely, those that resident workers often do not want to take. While the unemployment rate is low, foreign workers do not stir up any animosity on the part of resident workers. Foreign workers have, to a large extent, contributed to the post-war economic expansion of West European countries. However, the recession period in the seventies and then again in the nineties as well as mass unemployment brought about the measures that limit the influx of foreign workers and enhance animosity toward them.

While the former periods were characterized by the influx of unqualified labour force, the more recent one witnessed an increase of the number of qualified workers coming from the countries outside the EU. It can be assumed that the European Union enlargement with new member states (characterized by a higher unemployment rate and lower wages) will lead to an increased flow of the labour force from these countries into the present member states. Besides, the EU states are still attractive to the immigrants from the Third World countries.

#### LABOUR MARKET IN SERBIA: BASIC CHARACTERISTICS

In order to create a successful market economy, it is necessary to build respective institutions; among them, an important role is played by labour market. "The functioning of the labour market in Serbia in the nineties was determined by the following unfavorable factors: a profound political and economic crisis as well as a large-scale war devastation that induced a severe reduction of economic activity, a large-scale war and economic migrations of the population leading to considerable disturbances in the volume and the structure of labour force supply, lack of economic reforms and structural adjustment of the economy, the politics of the labour market whose main objective was immense protection of the employed in public and state companies and important participation of the informal sector in the overall economic activity." (Krstić, Stojanović 2002: 28) These specific traits of the transition process affected the state of the labour market. The basic characteristics of the labour market in Serbia are: high unemployment rate, slow reduction of the number of employed in the public sector, immense technological surplus, slow growth of the number of workers in the private sector, changes in the labour force supply due to migrations, a high participation of gray economy, low labour force mobility and scarcity of the flexible forms of labour.

### Employment

If we observe the movement of the employment rate after the Second World War, we can notice that it kept continually increasing up to 1989 when it reached the highest value (2,622.000 of the employed). This is followed by a period of the employment rate decrease in the public sector that was not accompanied with proportional opening up of new jobs in the private sector. According to the temporary data of the Republic Institute for Statistics, in Serbia in 2002 there were 1,848.531 persons employed while the estimate of the Federal Bureau of Statistics, made on the basis of the Labour force Survey (October 2002) mentions 2,063.624 of the employed in Serbia (Figure 2).<sup>1</sup>

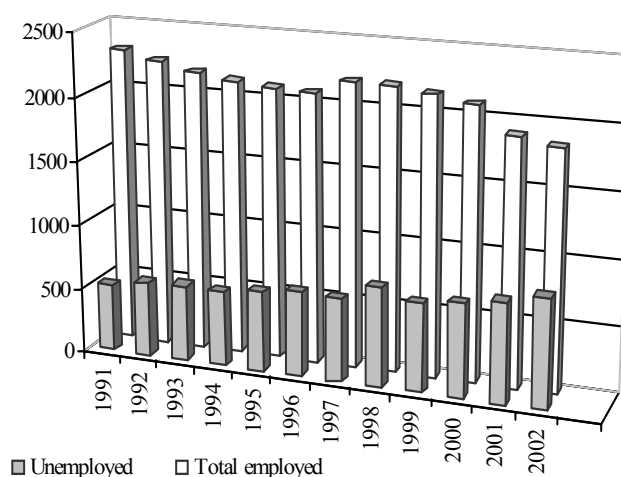


Fig. 2. Employed and unemployed in Serbia in the period from 1991 to 2002

\* Since 1999 the data refer to Serbia without Kosovo and Metohija

\*\* Since 1997 the data also include employed in small businesses

Source: Republic Institute for Statistics: Statistic Annals of Serbia 2000, Socio-economic Courses, 2002

In the observed period, the private sector participation in the overall employment underwent a slow but continual growth. On the basis of the Labour Force Survey, in October 2002, 23.39% of the employed in Serbia worked in the private sector. The labour market in Serbia was also characterized by marginal presence of non-standard forms of employment (part-time jobs, temporary engagement, self-employment and the like) though they obtained an important place in the activities of the Ministry of Labour.

<sup>1</sup> The differences in estimates arise due to different methodologies applied in measuring employment and unemployment rates. Namely, the Republic Bureau for Labour Market and the Republic Bureau of Statistics use the data concerning the officially registered employed and unemployed, while the Federal Bureau of Statistics gives its estimates on the basis of the Survey for the Completion of the Mid-year Reports RAD-1 and Labour Force Survey.

### Unemployment

According to the new Law on Employment and Unemployment Insurance a person is considered unemployed is he or she is "of 15 to 65 years of age, capable and immediately ready for work, who has not established any employment relationship or who has not in any other way realized his right to work, who is registered in the evidence of the unemployed and who actively looks for an employment". Further on in the text, there are precisely stated regulations determining what is understood by an "active looking for an employment": namely, the unemployed person should regularly report to the National Employment Agency, should not refuse any job offers and training, should apply to a publicly announced free post and seek an employment either directly or through the National Employment Agency. At the request of the National Employment Agency, the unemployed is obliged to submit the evidence about his active looking for a job. The emphasis put on these last requirements is explained as induced by the need to encourage a more active attitude of the unemployed toward finding a job (instead of passive "waiting for one") and to create the conditions for deleting from the evidence the persons who actually do not want to find any job but who do use their unemployed status as a means of realizing certain rights in the domain of social security.

Unemployment in Serbia acquires mass scale dimensions in the seventies (10-16%) while in the late eighties it again started to increase considerably. At the time when employment was the highest (in 1989) there were slightly more than half a million unemployed people in Serbia. In the nineties, there was a continuous rising tendency of the unemployed rate that was the highest in Southeast Europe (except for Macedonia). According to the official data of the Republic Institute for Labour Market (Monthly Statistical Bulletin No. 4), the average unemployment rate in Serbia was 27.09% in 2002. The increasing unemployment tendency continued in 2003, coming closer to a million of the unemployed. Namely, in the first six months of the given year, the unemployment rate increased for 137.036 people, that is for 16.7% compared to the same period in 2002 (Monthly Statistical Bulletin No. 10). It is estimated that the officially registered unemployment rate in 2003 was 30%.

Table 5. Population of Serbia over 15 years of age regarding activity (October 2002)

	Number	%
Total	6 168 932	100.00
Active - total	3 459 819	56.08
Employed	2 063 624	33.45
Farmers	530 394	8.60
Supporting members - total	160 735	2.61
- in agriculture	157 441	2.55
Other active	47 863	0.78
Unemployed - job-seeking	459 599	7.45
Occasionally active	197 604	3.20
Not active – total	2 709 113	43.92
Persons with personal income	1 498 431	24.29
Supported persons	1210682	19.63

Source: Labour Force Survey, October 2002, Report of the Federal Bureau of Statistics, No. 060

The data obtained through the Labour Force Survey differ considerably from the officially registered unemployment. According to these estimates, the unemployment rate in Serbia in October 2002 was about 13% (Table 5). The concept of the "unemployed" implies "persons who want to work but who have not done any regular job that would provide them with the means of living during the referential period" (Federal Bureau for Statistics).

In addition to the officially registered unemployment, there are also various estimates regarding the scope of the hidden unemployment. These estimates ranged, in different periods, from 600.000 to 1,000.000 people. The process of privatization and company restructuring brought about the dismissal of workers surplus in given companies and then the majority of them got registered as unemployed. The migrations have also affected the state of the labour force supply, namely, refugees and displaced persons who have been living in Serbia for years are included in the total number of job seekers. Though employment in the private sector is increasing it cannot absorb such a huge labour force supply.

Table 6. Structure of the unemployed (formerly employed) regarding reasons for losing jobs (October 2002)

Job Losing Reasons	%
Technological surplus	35.42
Company liquidation	23.40
End of temporary engagement	13.23
Seasonal nature of given job	6.30
Gave up job on their own	12.19
Others	9.46
Total	100.00

Source: Labour Force Survey, October 2002, Report of the Federal Bureau of Statistics, No. 060

The structure of the unemployed in Serbia is characterized by the domination of qualified workers, women, first time job seekers, the young and long-term unemployed. In 2002 the persons who looked for a job for more than two years made up 56.7% of the overall number of the unemployed.<sup>2</sup> The long-term unemployment that characterizes Serbia causes not only social problems but also makes available knowledge outdated just as it induces inadequate usage of available human resources. In the same period, 59.7% of the unemployed persons were those who were looking for a job for the first time. Yet, the tendency of increasing unemployment can be noticed among the persons who were previously employed which is a result of privatization and company restructuring (Table 6). The consequence would be further increase of older people participation (over 40) in the overall unemployment, namely, those who would find it very difficult to find new jobs since the employers mostly look for young and qualified staff. The educational structure of the labour force in Serbia is inadequate for the requirements imposed by the modern technological development.

When it comes to the regional distribution, unemployment during 2002 increased in all the counties. The greatest number of unemployed was noticed in Belgrade and in the counties of Južnobački and Nišavski districts, while the greatest increase of unemploy-

<sup>2</sup> A survey of the unemployed structure in Serbia was made on the basis of the data taken from Monthly Statistical Bulletin No. 4, December 2002 of the Republic Bureau of Labour Market

ment was in the counties of Borski (38.2%), Braničevski (31.7%) and Sremski (25.2%) district. Regarding the economic fields during the same period, some employment rise was noticed in the financial arbitration, construction, trade and education which reveals the tendency of employment growth in the tertiary sector.

### Informal Labour Market

One of the basic characteristics of the labour market in Serbia is its division into formal and informal, that is, gray labour market. High participation of the informal labour market is a consequence of many factors such as rigid legal regulations, high taxes and contributions, high unemployment rates and low wages in the public sector. The following population categories are involved in it, namely: employed, unemployed, students, refugees and retired people (Table 7). What makes the informal labour market in Serbia different from similar ones in other countries is high participation of the employed in it. The research results show that in 2000 even 1/5 of the unemployed and 1/4 of the employed in the public/state sectors were engaged in gray economy. "Instead of the unemployed exerting pressure upon the formal labour market it turns out that, paradoxically, the formally employed represent the main competition to the unemployed ones at the informal labour market." (Krstić, Stojanović, 2000:30).

Table 7. Structure of the total number of the questioned persons and participants in the gray economy regarding their socio-economic status (in %)

	Questioned persons in toto	Gray economy	% of people in gray economy
Total	100	100	16.3
People with jobs	47.9	60.5	20.6
Employed*	41.9	56.2	21.9
Self-employed	2.2	2.1	15.3
Farmers**	3.8	2.2	9.6
People with personal income	52.1	39.5	12.3
Retired	18.6	12.8	11.2
Unemployed	9.4	11.5	20.1
Housewives	9.0	3.2	5.8
Students and pupils	11.9	5.1	6.8
Other	3.2	6.9	35.0

\* Also included owners of private companies, co-owners of mixed companies as well as free lance professions

\*\* Also included supporting members

Source: Krstić, Gordana and Stojanović, Božo: "Analysis of the Formal and the Informal Labour Markets in Serbia" in Z. Vacić and others, Contributions to the Public Debate on Institutional Reforms in Serbia, Centar za liberalno-demokratske studije

### Labour Mobility

The discrepancy between the supply and the demand for labour force is also affected by low territorial mobility of the labour force as a consequence of unequal regional development and difficulties in solving housing problems. The mobility of the employed between the public and the private sectors has been in the last decade very poor due to increasing employment insecurity and more unfavorable work conditions. Considering the

fact that the idea of "a safe job for the rest of life in the public sector" is quickly waning due to mass dismissal in the processes of company restructuring and privatization, it can be assumed that the employed would be readier to accept the risk of moving to private companies. The last few years have witnessed the rising tendency of changing employment of the already employed, that is, of moving from one job to another which points to increased labour force mobility though, on the other hand, mobility, both professional and territorial, remains quite poor.

#### EU ENLARGEMENT AND CHANGES IN THE LABOUR MARKET

Work is a domain of living caught in powerful transformation processes. The importance of studying these processes springs from the importance these changes have both for the society and the individuals. Regarding the fact that the labour market cannot be simply treated just like any other market segment offering other goods, the economic policy in this field is subjected to a double, often contradictory demand. Namely, any increase of productivity and efficiency and, thus, competitiveness of an economy is often (especially when it comes to short term effects) opposed to the targets aiming at raising the living standard of the population, reduction of social inequalities and realization of the principle of social justice.

The labour market in the European Union finds itself in the course of changes conditioned by the impact of two processes. On one hand, there is a need to increase the EU economy competitiveness which, in its turn, induces changes in labour legislature aiming at the reduction of the worker protection as well as at the increase of work flexibility so that the companies would be able to react, promptly and efficiently, to the changes in the global market. The social and political consequences of these measures are visible in several EU states. Unemployment has been for many years a serious social, economic and political problem. Hence, for instance, the number of unemployed in Germany, despite different measures undertaken by the Government, exceeded the psychological limit of 4 millions. A special problem is the unemployment distribution and its consequences - high rates of unemployment among the young and some ethnic groups as well as further expansion of the unemployment risk among older workers due to the technological changes and the production dislocation to the Third World countries. On the other hand, the EU population is increasingly getting older which will pose, in the decades to come, a new problem of the labour force shortage.

The other process that sets up challenges for the EU in the domain of the labour market is the Union enlargement. On May 1st 2004, the Union will officially get another ten new members thus increasing its population to about 480 millions<sup>3</sup>. This will not end the enlargement process since it is expected that later on Bulgaria and Romania will be accepted followed by Turkey and Western Balkan countries.

Despite the fact that the new members had to meet certain economic and political requirements before being accepted as full-fledged members, the differences between them and the former members regarding economic indicators are significant. The gross domestic product of 10 future members amounts to 47% of the gross domestic product of the

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<sup>3</sup> The paper was submitted before this date which in the meantime came to pass.

present 15 members, according to the EUROSTAT data. In this way, today's differences that exist between the developed and the less developed EU members will become even more prominent. Likewise, this will also affect the distribution of the aid to the underdeveloped regions since, after the entrance of the new members into the EU, almost all the underdeveloped aid-obtaining regions will be located in the new members. The process of the EU enlargement is also accompanied with other problems (namely, those relating to the issuing the new European Constitution, debates about subventions in agriculture and the like).

It has already been pointed out that the labour force mobility, despite the elimination of the administrative barriers, is very small among the EU member states. The differences in the wages and the unemployment rates being the main factors affecting the labour force mobility are very unfavorable for new member states. Hence it can be assumed that the admission of the new member states might bring about mass labour force flow from their countries to the "old" members of the European Union. However, some previous experiences have shown that there is no mass movement of the labour force from the less developed to the more developed EU members. Yet, in order to eliminate the possibility that the present members should find themselves overfilled with workers from the new member states, it has been arranged that the states stricken with the problems of unemployment and immigration should preserve a seven year period during which they should limit the liability of the new member state citizens to work in them. The countries that do not share the same problems can permit a faster flow of their labour force.

The EU enlargement does not only mean an impetus to the economic development in the sense of obtaining new production locations, new markets and cheap labour force. The characteristics of the labour force of Central and East European countries also represent an important resource for further economic development. At the same time, however, what must be primarily kept in mind is the educational structure as well as a great number of experts in the fields of information technologies and other fields necessary for the development of a knowledge-based society. Likewise, other characteristics of these countries' labour force (flexibility, innovativeness and readiness to withstand the costs of the social changes) represent the factors that can increase the EU economy competitiveness at the world market.

The labour market transformation in Serbia is in its initial phase. In the nineties there were a few attempts at partial reforms that did not essentially alter the regulations defining work relations. The basic barriers to the labour market functioning (*i. e.*, "paternal" attitude on the part of the state, huge workers' protection, high costs of maintaining surplus of the employed, domination of passive measures in coping with unemployment and the like) were not eliminated.

The issuing of the new legal regulations (Law on Privatization, 2002, Labour Law, 2001, Law on Employment and Unemployment Insurance, 2003) as well as the onset of the employment agency reorganization created both legal and institutional prerequisites for the labour market reform. The legal regulations of employment relations have been reduced, the processes of workers' employment and dismissal have been simplified, the collective negotiation has been regulated, the costs of dismissing the surplus of the employed have been reduced, and a greater use of the flexible employment forms has been provided for. In this way, the previous excessive worker protection has been reduced while the companies have been enabled to adopt the number and the structure of their

employed according to their needs. In the field of the coping with unemployment, the criteria for achieving the status of the unemployed have been changed, the passive protection of the unemployed has been reduced while the emphasis has been placed on active measures (such as re-qualification, qualification completion, professional training or introduction of programs for solving problems of worker surplus or programs for employment and self-employment). The range as well as the success of the realization of the above-mentioned measures have also been limited by the amount of the means allocated for the given purposes. The realization rhythm of the given reforms has also been affected by the fear that their negative consequences might jeopardize the social and political peace as well as the support for the transition process in general. "Since unemployment is experienced in Central and East Europe as a secondary effect of the transformation instead of as a bad product of 'normal economy' functioning, the public reactions may be of special importance regarding the support to the transformation as such." (Zagorski : 98). The changes in the attitudes of the employed and the job seekers likewise represent an important axiom of the labour market reform. At the same time, it should be kept in mind that the legacy from the previous period is ambivalent, namely, that it comprises both, on one hand, the lack of readiness to change one's job and reluctance to end one's reliance on the state and, on the other hand, the ability to adjust, to make independent decisions and to be inventive. The experience of the EU states, especially of the new members that have undergone the transition period and that have adjusted themselves to the economic, social and cultural conditions, may be useful in the process of reforming the labour market in Serbia, even more so when it comes to mind that Serbian integration into the EU would mean its becoming a part of the united labour market.

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## PROMENE NA TRŽIŠTU RADA - EVROPSKA UNIJA I SRBIJA

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*Predmet rada je razmatranje promena na tržištu rada u Evropskoj Uniji i Srbiji koje nastaju kao posledica prilagođavanja društvenim, ekonomskim, političkim i demografskim promenama u savremenom svetu. Razvoj novih tehnologija i ekonomije znanja sve više ističe kvalitet radne snage kao faktor poboljšanja konkurentnosti jedne privrede na svetskom tržištu. Sa druge strane, masovna nezaposlenost se javlja kao jedan od najznačajnijih problema razvoja modernog društva. Kada se radi o Srbiji, reforma tržišta rada je nužna za stvaranje uslova za razvoj tržišne privrede i uspešno integrisanje Srbije u EU.*

*U prvom delu rada analiziraju se ciljevi politike EU u oblasti zapošljavanja, kretanja zaposlenosti i nezaposlenosti, kao i problem slobodnog kretanja rada u okviru EU. U drugom delu rada razmatraju se karakteristike tržišta rada u Srbiji – stope zaposlenosti i nezaposlenosti, neformalno tržište rada i mobilnost radne snage. Zatim se razmatra mogući uticaj proširenja EU na tendencije na tržištu rada kao i proces reforme tržišta rada u Srbiji.*

**Ključne reči:** tržište rada, EU, Srbija, zaposlenost, nezaposlenost, mobilnost radne snage.