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## LABOR MARKET AND (UN)EMPLOYMENT IN THE EUROPEAN UNION AND SERBIA – REGIONAL ASPECTS

*Veljko Radovanović\*<sup>1</sup>, Marijana Maksimović\**

\*Institute of social sciences, Belgrade

**Abstract:** The most important issue of labor market and its active policy is certainly a question of unemployment reduction and employment rates increase. This question is in the focus of attention of many economies over decades ago. The complexity of technology development, specialization of labor, migration and a constant need for education have rendered this area more complex and challenging to explore. It has long been known that the labor market is very asymmetrical and often unpredictable. Despite the great importance of this problem, there is no universal recipe for its solution, which could be effectively applied in neither all countries, nor in every period. In each country there are parts of the territory (regions) which have recorded worse results over a longer period of time, as measured by almost all major economic indicators, including the level and rate of (un)employment, compared to the national average. This paper presents a general theoretical overview of the functioning of labor markets and their features, and will provide a short analysis of asymmetry in labor market movements (employment/unemployment) between the EU Member States and their regions.

**Key words:** labor market, (un)employment, migration, regional disparities

### Introduction

One of the most stressing problems that both the World economy and Serbian society have faced for many years is the high unemployment rate. However, it seems that there are many issues related not only to this topic, but also the labor market in general, especially when it comes to the regional aspect of this problem: it is still not enough elaborated and little explored empirically. Serbian intentions towards the full European Union membership, which is now widely discussed over various political, professional and scientific forums, require much more attention and efforts to be devoted. Specifically, the basic idea of the process of integration into the European Union is the establishment of a common market and the acceptance of European values in general. This, inter alia, should contribute to the increased mobility of capital (state borders are not recognized as a great problem anymore), but also the other factors of production, such as

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<sup>1</sup> Correspondence to: vradovanovic@idn.org.rs

labor mobility. General economic theory tells us that in a market-oriented economy increased mobility of production factors (capital, labor, ideas) contribute to increase in overall social efficiency. However, it is difficult to give an explicit answer if these assumptions were realized in practice in all situations. The studies that were conducted in many countries showed that in each country there are parts of the territory (regions) which have recorded worse results over a longer period of time, as measured by almost all major economic indicators, including the level and rate of (un)employment, compared to the national average. This fact, of course, adversely affects the overall socio-economic development of a particular country. If the mobility of production factors has not been developed at the national level, it is unlikely that it will significantly increase the spread of the integration process; consequently, the benefit from the integration processes will be lower than expected.

Finally, in this paper our attention will be focused on the core problems in this area of social life in our country, especially from the viewpoint of regional development aspects. In this context, the impact of a possible accession of Serbia to the European Union, related to solving the problems of (un)employment, should be considered, along with the possibility that some regions may benefit more than others. In other terms: would the prospective accession to the European Union have an impact on reducing or, perhaps, increasing the regional disproportions when it comes to unemployment? Are the specific measures in the area of regional policy in the labor market really necessary?

### **Functioning of labor markets - a theoretical review**

Market economy model includes the establishment and functioning of the integrated market, which means that, in addition to markets of goods, services and capital, the labor market works too – the market of knowledge, skills and abilities that workforce possess. When it comes to the labor market, it performs the allocative function (like any other markets, along with numerous additional functions), which is the allocation of workers to jobs in the territorial, professional and any other terms. Around the issues how the labor market operates, basically two theoretical models have been developed: *the neoclassical model* and *the model of incomplete competition*.

Neoclassical model assumes that the labor market is perfectly competitive, and that the price of labor (wage) is freely determined, depending on offer and demand for labor. In addition, in this model, migration is a factor separated from the others, which means that there is no obstacle to the movement of labor

between regions. In this market, demand for labor (workforce) consists of employers who are, literally speaking, “customers” of the workforce. By contrast, the offer consists of workers who are basically salesmen of their working force. In basic assumptions of this model, the labor owners (workers) and owners of capital (employers) are fully informed about the possible conditions and incomes in all regions. Each of these parties seeks to make the transaction in its own interest in the market, creating the greatest possible benefit for themselves. For employers, the main objective is to achieve the greatest profit, and for workers to achieve as high rent as possible. Depending on the issue of offer and demand for labor, the general level of prices (rents) is established, bringing, as seen in the longer term, to a state of equilibrium. The excess of labor offer is eliminated from the market by lowering the labor price. The balance is, therefore, achieved through a certain rate of unemployment, usually referred to as a *voluntary unemployment* or *natural rate of unemployment* in the literature. This case implies that all workers who want to work under the given conditions and the equilibrium price of labor – can find their employment, while the unemployed are the category of workers who are seeking for a better job in terms of higher wages or better working conditions. However, it seems that this model does not work in practice, because a completely free market activity is rarely, if ever encountered in a real life. On the contrary, experience shows that the labor market operates in a specific way in reality, which is much closer to the model of *incomplete competition*. Compared to the market of goods, capital and services, specificities of labor markets are especially noticeable when it comes to free action of market laws; so, it is often said that this market is imperfect (Radić, 2005). Here, a few factors that influence the imperfection of labor market will be mentioned.

- On the labor market, the monopoly forces are present, whose balance of power among the participants is established mainly out of the market. Specifically, the workers join the unions, and the employers enter various forms of business and other associations, in order to strengthen their force. The odds will be on one or the other side, depending on the situation in the labor market, and the sphere of employment. If the unemployment rate is low, bargaining power of trade unions becomes more significant, and vice versa: when the unemployment rate increases, their bargaining power is weakened. Thus, the interests of employers and employees are basically in natural conflict, especially if looked at a short term. However, if viewed over a longer time horizon, the conflict of interest becomes relative to a certain extent, because the both parties are interested in business stability: the employers in

terms of stabile functioning of enterprises, and employees in terms of job security.

- To a free labor market activity, the state itself affects too, prescribing the minimum wage (rent). Definition of the lower limit below which employers cannot bring down the real wages, provides a protection from arbitrariness of employers and breaking the earnings below the socially acceptable level, particularly for young workers and workers with lower qualifications, in the high unemployment environment. The policy of determining the minimum wage, however, may negatively affect the employment level, because high levels of minimum wages, determined by law or collective agreement, automatically raises each subsequent level of earnings in the enterprise. For that reason, employers avoid to hire workers from certain structures of working contingent (for example, unskilled workers, young workers aged between 15-25 years), which would be paid the minimum wage. The result is that these categories of potential workers are the most difficult to employ and the most affected by the problem of unemployment, while, at the same time, the companies lose their opportunity to obtain cheap labor.
- Labor mobility, both between regions and occupations, is significantly behind the mobility of goods and capital, which also adds certain characteristics to the labor market. This is illustrated by the data on the low elasticity of labor in relation to regional differences in the level of wages and unemployment. The reasons for this lie primarily in the difficulties of removing obstacles to regional labor migration. These reasons may be economic, social, political, cultural and many others. While the classic model of the labor market functioning assumes that migration are not limited by the costs of changing the areas and occupations and that migrants have with full information, in reality, however, the decisions are usually made under conditions of incomplete information, and the mobility of labor is accompanied by certain costs, both financial and non-financial.
- Because of the imperfection of the labor market, differences in earnings between regions, sectors of the economy and jobs do not always correspond to differences in the level of the marginal product of labor. It is unlikely that, in a situation where collective bargaining is centralized at the state level, the differences in the level of earnings in the region will reflect the differences between the marginal products of labor.

- To deviations of employment and earnings from the equilibrium level, the unemployment benefits contribute to a large extent, because they influence the reduction of labor mobility and the level of unemployment rate, especially in peripheral regions.

All this has resulted in tightening the problem of regional disparities at the expense of depressed areas. A particular problem is the drain of highly qualified workforce, while migrations, which are generated by a market, are often not sufficient for reaching the equilibrium level. In such circumstances, it is necessary to adopt and implement various instruments of regional policy that would allow more balanced development of all regions in different spheres of social life.

### **Employment and unemployment in the European Union**

Issues related to the problems of employment and unemployment are one of the crucial issues for each country, because the level of employment, in addition to the level of gross domestic product per capita, is one of the most important indicators of the efficiency of an economy. However, there are different methods of measuring these phenomena, so it is very difficult to give a precise answer to a question of who is an employed or an unemployed person, and in this regard, what is the actual number of persons employed, or unemployed persons in one country at a given point in time. Methodological difficulties in defining the concept of (un)employment often cause a confusion in the monitoring of indicators, whether in terms of analysis for different levels of territorial aggregation within the borders of a country, or even an international comparison. The results will depend on which definition of employment is decided by an institution or a researcher who analyzed this issue (Šuković, 2009). The statistics dealing with the issues of labor and employment relations encompasses a broad level of related topics throughout the world, including the size and structure of economically active population, as follows:

- The population of employees, which includes the subgroups of employees who work in the informal economy, child labor, migrant workers, and
- The unemployed population.

These two population groups are economically active populations that, along with the economically inactive population, make a total working-capable population of a country. Economically inactive population includes discouraged workers, i.e. those who want to work, but who do not see where it could be. The

second group includes workers who provide services in their own homes.

Table 1. Comparative review of employment trends in EU member countries for workforce aged 15-64 years (%)

Country	Year						EU27=100.0					
	2000	2003	2006	2007	2008	2009	2000	2003	2006	2007	2008	2009
<b>EU (27 countries)</b>	<b>62.2</b>	<b>62.6</b>	<b>64.5</b>	<b>65.4</b>	<b>65.9</b>	<b>64.6</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Belgium	60.5	59.6	61.0	62.0	62.4	61.6	97.3	95.2	94.6	94.8	94.7	95.4
Bulgaria	50.4	52.5	58.6	61.7	64.0	62.6	81.0	83.9	90.9	94.3	97.1	96.9
Czech Republic	65.0	64.7	65.3	66.1	66.6	65.4	104.5	103.4	101.2	101.1	101.1	101.2
Denmark	76.3	75.1	77.4	77.1	78.1	75.7	122.7	120.0	120.0	117.9	118.5	117.2
Germany	65.6	65.0	67.5	69.4	70.7	70.9	105.5	103.8	104.7	106.1	107.3	109.8
Estonia	60.4	62.9	68.1	69.4	69.8	63.5	97.1	100.5	105.6	106.1	105.9	98.3
Ireland	65.2	65.5	68.6	69.1	67.6	61.8	104.8	104.6	106.4	105.7	102.6	95.7
Greece	56.5	58.7	61.0	61.4	61.9	61.2	90.8	93.8	94.6	93.9	93.9	94.7
Spain	56.3	59.8	64.8	65.6	64.3	59.8	90.5	95.5	100.5	100.3	97.6	92.6
France	62.1	64.0	63.7	64.3	64.9	64.2	99.8	102.2	98.8	98.3	98.5	99.4
Italy	53.7	56.1	58.4	58.7	58.7	57.5	86.3	89.6	90.5	89.8	89.1	89.0
Cyprus	65.7	69.2	69.6	71.0	70.9	69.9	105.6	110.5	107.9	108.6	107.6	108.2
Latvia	57.5	61.8	66.3	68.3	68.6	60.9	92.4	98.7	102.8	104.4	104.1	94.3
Lithuania	59.1	61.1	63.6	64.9	64.3	60.1	95.0	97.6	98.6	99.2	97.6	93.0
Luxembourg	62.7	62.2	63.6	64.2	63.4	65.2	100.8	99.4	98.6	98.2	96.2	100.9
Hungary	56.3	57.0	57.3	57.3	56.7	55.4	90.5	91.1	88.8	87.6	86.0	85.8
Malta	54.2	54.2	53.6	54.6	55.3	54.9	87.1	86.6	83.1	83.5	83.9	85.0
Netherlands	72.9	73.6	74.3	76.0	77.2	77.0	117.2	117.6	115.2	116.2	117.1	119.2
Austria	68.5	68.9	70.2	71.4	72.1	71.6	110.1	110.1	108.8	109.2	109.4	110.8
Poland	55.0	51.2	54.5	57.0	59.2	59.3	88.4	81.8	84.5	87.2	89.8	91.8
Portugal	68.4	68.1	67.9	67.8	68.2	66.3	110.0	108.8	105.3	103.7	103.5	102.6
Romania	63.0	57.6	58.8	58.8	59.0	58.6	101.3	92.0	91.2	89.9	89.5	90.7
Slovenia	62.8	62.6	66.6	67.8	68.6	67.5	101.0	100.0	103.3	103.7	104.1	104.5
Slovakia	56.8	57.7	59.4	60.7	62.3	60.2	91.3	92.2	92.1	92.8	94.5	93.2
Finland	67.2	67.7	69.3	70.3	71.1	68.7	108.0	108.1	107.4	107.5	107.9	106.3
Sweden	73.0	72.9	73.1	74.2	74.3	72.2	117.4	116.5	113.3	113.5	112.7	111.8
Great Britain	71.2	71.5	71.6	71.5	71.5	69.9	114.5	114.2	111.0	109.3	108.5	108.2

Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsiem010> (last accessed: 27.10.2010) and our own calculations.

The European Union conducts a very active policy in the area of labor market for years. One of the priority objectives for the Union, as a whole and for each of its individual members, is the reduction of unemployment, especially of the most vulnerable groups. This is also its primary socio-economic and political

challenge. However, if viewed by some member states and their regions within the European Union, it is obvious that this problem is not acute everywhere to the same extent. On the contrary, the rates of (un)employment are moving in a very wide range, as presented in Table 1 and 2.

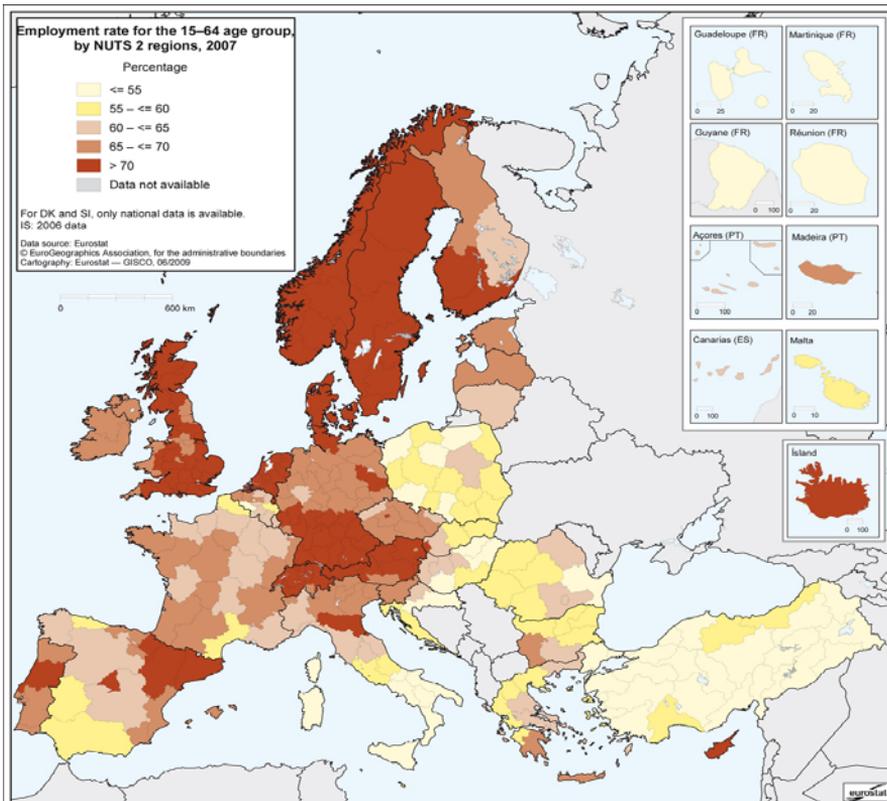


Figure 1. Map of employment rate for the 15-64 age group, by NUTS 2 regions in 2007 (in %) (Eurostat regional yearbook 2009)

The average employment rate in EU-27, measured in relation to the population aged 15-64 years, was 64.6% in 2009. Dynamically speaking, the employment rate has been constantly increasing between 2000 and 2008. However, the global economic crisis that has caused the decline in overall economic activity in EU member states in 2009, has led to a drop in employment by 1.3%, compared to 2008. The most dynamic growth in employment during the last ten years was achieved in Bulgaria, approaching the European Union average by only two percentage points. However, if the EU-27 employment rate is taken as the 100.0%, the level of employment in Bulgaria was 96.9%, compared to 81.0%, which was the rate recorded in 2000. The highest employment rates in the

European Union are in the Netherlands (77.0%) and Denmark (75.7%). In contrast, the lowest rate was observed in Malta (54.9%) and Hungary (55.4%) which are, compared to the EU-27 average, behind for some 15% or 14.8%, respectively. So, the gap between member countries with the highest and lowest employment rate is 1:1.39 which cannot be considered a great disproportion.

Table 2. Comparative review of trends in unemployment in EU countries (%)

Country	Year							EU27=100.0					
	2000	2003	2006	2007	2008	2009	2000	2003	2006	2007	2008	2009	
<b>EU (27 countries)</b>	<b>9.0</b>	<b>9.0</b>	<b>8.2</b>	<b>7.1</b>	<b>7.0</b>	<b>8.9</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	
Belgium	8.2	8.2	8.3	7.5	7.0	7.9	79.3	91.1	101.2	105.6	100.0	89.8	
Bulgaria	13.7	13.7	9.0	6.9	5.6	6.8	188.5	152.2	109.8	97.2	80.0	77.3	
Czech Republic	7.8	7.8	7.2	5.3	4.4	6.7	100.0	86.7	87.8	74.6	62.9	76.1	
Denmark	5.4	5.4	3.9	3.8	3.3	6.0	49.4	60.0	47.6	53.5	47.1	68.2	
Germany	9.3	9.3	9.8	8.4	7.3	7.5	86.2	103.3	119.5	118.3	104.3	85.2	
Estonia	10.0	10.0	5.9	4.7	5.5	13.8	156.3	111.1	72.0	66.2	78.6	156.8	
Ireland	4.6	4.6	4.5	4.6	6.3	11.9	48.3	51.1	54.9	64.8	90.0	135.2	
Greece	9.7	9.7	8.9	8.3	7.7	9.5	128.7	107.8	108.5	116.9	110.0	108.0	
Spain	11.1	11.1	8.5	8.3	11.3	18.0	127.6	123.3	103.7	116.9	161.4	204.5	
France	9.0	9.0	9.2	8.4	7.8	9.5	103.4	100.0	112.2	118.3	111.4	108.0	
Italy	8.4	8.4	6.8	6.1	6.7	7.8	116.1	93.3	82.9	85.9	95.7	88.6	
Cyprus	4.1	4.1	4.6	4.0	3.6	5.3	56.3	45.6	56.1	56.3	51.4	60.2	
Latvia	10.5	10.5	6.8	6.0	7.5	17.1	157.5	116.7	82.9	84.5	107.1	194.3	
Lithuania	12.5	12.5	5.6	4.3	5.8	13.7	188.5	138.9	68.3	60.6	82.9	155.7	
Luxembourg	3.8	3.8	4.6	4.2	4.9	5.2	25.3	42.2	56.1	59.2	70.0	59.1	
Hungary	5.9	5.9	7.5	7.4	7.8	10.0	73.6	65.6	91.5	104.2	111.4	113.6	
Malta	7.6	7.6	7.1	6.4	5.9	7.0	77.0	84.4	86.6	90.1	84.3	79.5	
Netherlands	3.7	3.7	3.9	3.2	2.8	3.4	32.2	41.1	47.6	45.1	40.0	38.6	
Austria	4.3	4.3	4.8	4.4	3.8	4.8	41.4	47.8	58.5	62.0	54.3	54.5	
Poland	19.7	19.7	13.9	9.6	7.1	8.2	185.1	218.9	169.5	135.2	101.4	93.2	
Portugal	6.4	6.4	7.8	8.1	7.7	9.6	46.0	71.1	95.1	114.1	110.0	109.1	
Romania	7.0	7.0	7.3	6.4	5.8	6.9	83.9	77.8	89.0	90.1	82.9	78.4	
Slovenia	6.7	6.7	6.0	4.9	4.4	5.9	77.0	74.4	73.2	69.0	62.9	67.0	
Slovakia	17.6	17.6	13.4	11.1	9.5	12.0	216.1	195.6	163.4	156.3	135.7	136.4	
Finland	9.0	9.0	7.7	6.9	6.4	8.2	112.6	100.0	93.9	97.2	91.4	93.2	
Sweden	6.6	6.6	7.0	6.1	6.2	8.3	64.4	73.3	85.4	85.9	88.6	94.3	
Great Britain	5.4	5.0	5.4	5.3	5.6	7.6	62.1	55.6	65.9	74.6	80.0	86.4	

Source: <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsiem110>

Viewed by member countries, the highest unemployment rates in the period between 2000 and 2008 were recorded in Spain, Slovakia, Hungary and Greece. In the beginning of the period, Bulgaria also belonged to this group. However, thanks to dynamic growth that has been achieved in 2008, this country managed to reduce unemployment rate to 5.6% only, compared to the work potential that is calculated as the sum of employed and unemployed persons aged 15-74 years. The economic crisis that occurred mid-2008, affected the individual EU-27 countries to different extents, which produced further differentiations in their unemployment rates. The data show that the most affected country was Spain, which reached an unemployment rate of 18% in 2009, followed by Latvia (17.1%), Lithuania (13.7%), Slovakia (12.0%), Ireland (11.9%), Hungary (10.0%) and Greece (9.5%). The range of unemployment levels between Spain, which has the largest, and the Netherlands, which has the lowest unemployment rate (3.4%) in 2009 was 5.29:1.

If, however, the focus of the analysis was placed on the situation in the labor market at regional level NUTS-2 (Nomenclature of Units for Territorial Statistics) of the European Union, much greater differences than among individual member countries are observed. For example, French overseas departments (Guyana, Guadelupe and Martinique) had the unemployment rate near 23% in 2008, and the southern regions of Italy with Sicily and Sardinia between 10% and 14%. At the same time the Great Britainian regions of Rogaland, as well as Vest- and Aust-Agder have unemployment rates below 2%, followed by Austrian regions Tirol (2.4%) and Salzburg (2.5%). Very high differentiation and a wide range of regional employment rates and unemployment are observed between certain regions of individual member countries. Particularly large differences were found in Italy between the regions of North and South (almost 5:1). Also, these differences were significant in Germany, France, (especially if its overseas departments were taken into account), Belgium (<http://epp.eurostat.ec.europa.eu>).

Accordingly, the aforementioned data indicate that, despite very active and generous financial policy in the field of regional development, where regional labor market and employment policies play an important role and which are conducted by the European Union for many years, differences in (un)employment among some countries and regions, as well as between the regions in certain countries still exist, although the range is slightly smaller than before. There is no doubt that these differences would be much greater if so much attention has not been given to this problem. Practically, unemployment is a constant concern of the competent institutions and organs of the whole integration. The starting point in this context is the fact that there is no universal

recipe for solving this problem that could be effectively applied in all member states. In implementation of a common policy in the sphere of the labor market, an important role plays the European Social Fund (ESF). Also, there is a Regional Development Fund (ERDF) as one of three structural funds with the purpose of investing in human capital primarily, especially in fostering the employment in undeveloped areas (regions) within the European Union.

Measures of common regional policy promote educational programs and training of workers, so people can easily find a job or to keep it. Training of resources creates a greater chance for people to find a better job on the labor market. Under these circumstances, companies have the opportunity to achieve greater competitiveness and growth, especially in new sectors. Young people also receive help, like those who have been unemployed and with lower qualifications. Furthermore, there is a support in equalization of opportunities for women and men to obtain jobs in the labor market. The aim is to achieve full employment and greater competitiveness of all countries and all regions within each country, individually. In this particular case, the main assumption is that the employment is one of the best ways to achieve social integration, which is normally placed as one of the priority goals (L'Union européenne, Politique régionale 2007). However, in the global level and in the world economic forums, although not quite clearly, there are talks about the revival of economic policy that will focus on the problem of unemployment, and that should lead to long-term solution of the “job crisis” problem.

The most vulnerable groups of unemployed are considered to be young people, unskilled workers, a group of unemployed who seek the job for long time and for various reasons, as well as migrants – settlers. In the labor market in OECD countries, the immigrant unemployment problem is increasing. In the last quarter of 2009, the share of unemployed foreigners in the labor market is over 15% in Belgium, Ireland, Finland, France and Sweden. For example, in the USA, unemployed immigrants share doubled and rose from 4.3% in 2007 to 9.7% in 2009. Of course, different experiences of countries vary widely, depending on which specific difficulties they are facing in their economies, or ways how to achieve the success and the inclusion of immigrant population in the normal flow of the labor market. A tendency that immigrants usually work in sectors that are sensitive to changes in economic climate was observed, i.e. where the demand for workers grows strong in good times and where it quickly decreases during the worsening economic situation. After all, employers are often cautious when choosing immigrants to work in the long run. Many countries have reliable measures of labor market, or other general instruments adapted in response to the crisis. Also, many countries have additional measures adapted and intended

specifically for migrant workers. Many migrants find and accept the different schemes of employment with difficulties ([www.oecdobserver.org](http://www.oecdobserver.org)).

### **Labor market and regional employment in Serbia**

The labor market in Serbia is characterized by very sharp differences in almost all levels of territorial aggregation. They are more pronounced among rural than in urban areas, south and southeast in relation to the northern parts of the country, and a marked concentration of labor resources, both in scope and in quality in large university centers. In addition, most areas of our country are facing significant demographic and social problems such as high percentage of elderly (older than 65 years), a high level of registered, but also hidden unemployment, especially in areas where high economic growth was based on the industries that could not cope with all the tough competition in world markets during the transition process.

Generally, the Serbian economy has extremely high rates of unemployment and, analogously, relatively low employment rates in relation to employment potential. The unemployment rate in Serbia is one of the largest in the region and in Europe. High unemployment rates are mainly a consequence of the transition process and all other difficulties through which the economy and society of Serbia passes through for more than two decades. In addition, the transition of large public companies is not completed yet, so there is a real danger that the privatization of public sector, which is being announced now, will cause a great share of people currently employed in these companies to lose their jobs. According to the Bureau of Statistics of the Republic of Serbia, the total number of employees (in companies, institutions, cooperatives and organizations, entrepreneurs and their employees) was 1,816,959 people in late March 2010, which makes up to about 36.6% of the total population of working age (from 15-65 years). This is registered as the employment rate, although there is a number of people working in „the gray zone“. How big is that number, it is very difficult to assess objectively, but even so, the employment rate is very low. In comparison, the number of employees in the European Union in all 27 countries in relation to the population of working age was 64.6%.

The total number of unemployed persons was 730,781 persons at the end of July 2010, which is by 50,010 persons more than at the end of October 2009, when Serbia started to experience the consequences of the global economic crisis. Registered unemployment rate in Serbia (the ratio between the number of persons seeking for employment and the sum of employed and those who seek for employment) was 28.7% in late July 2010. However, global analysis of any

economic indicators at the country level, including employment rates and unemployment, lose its true meaning because it hides many of intraregional conflicts. It is not only the specificity of Serbia. On the contrary, the experience of many countries in transition showed that the economic restructuring and uncritical application of the neoliberal model of the economy have resulted in a tendency of increasing the disproportion in all spheres of economic life, and consequently in the domain of the labor market. The gap in rates of (un)employment in Serbia is especially pronounced in the Capital and developed regions with a favorable geographical position on the one hand, and the rest of the country on the other side. For example, Belgrade has a 53.5% and South Bačka district 46.3% of employed in relation to the population of working age, compared to Jablanica district (21.1%) and Toplica district (23.6%). In the city of Novi Sad, as a regional center of South Bačka district, employment rate is 60.4%, which practically approaches the European Union average.

Viewed by districts, registered unemployment rates ranged from 13.8% in Belgrade up to 53.0% in Jablanica district. The circle of territorial units with a dramatically high rates of unemployment includes Toplica district (52.2%), Raška district (43.6%) and Pčinja district (42.4%). At a lower level of aggregation, this issue is even more prominent. In particular, this is evident in some municipalities in southern Serbia. The Lebane municipality could be seen as the paradigm of the economic situation in southern Serbia, with only 11.4% of employees in relation to the working age population who live in this territory. Out of the total number of employees in this municipality, some 60.1% work in public administration, education, healthcare and utility services. At the same time, the number of registered unemployed people at the end of July 2010 was three times greater than the total number of employees in the municipality (5092 unemployed and 1698 employees). Similar situation share the municipalities of Bela Palanka, Vladičin Han, Tutin, Bojnik, Batočina, Medveđa, Blace, Kuršumlija, Prijepolje and many others (National Employment Service of Serbia, Monthly Statistical Bulletin, July, 2010).

Permanently growing regional disparities in the domain of the labor market leads to many economic, social and political risks; so it is very important that policymakers address these problems, especially for the fact that the differences are, by many indices based on official data of the National Bureau of Statistics and the National Employment Service, in a permanent increase.

Table 3. Comparative review of some economic indicators of regional asymmetries of the labor market in Serbia

Territorial unit	Employed, compared to working-capable population, March 2010.	Level of employment Serbia=100.0	Unemployment rate, July 2010	Level of employment Serbia = 100.0	Index of unemployment in period between July 2010/October 2009.	Level of average net wages I-VIII. 2010
City of Belgrade	53.5	146.0	13.8	48.1	98.53	133.5
Mačva District	25.7	70.0	40.1	140.0	99.11	85.2
Kolubara District	34.2	93.4	23.2	80.9	113.84	86.7
Podunavlje District	29.1	79.5	27.2	94.9	92.67	101.5
Braničevo District	30.2	82.3	20.0	69.7	95.15	99.9
Šumadija District	29.7	81.2	37.4	130.3	100.15	88.9
Pomoravlje District	37.7	102.8	34.2	119.1	106.12	83.3
Bor District	30.9	84.3	31.9	111.1	103.23	97.2
Zaječar District	28.9	79.0	37.2	129.6	102.65	81.0
Zlatibor District	29.7	81.2	34.9	121.8	94.31	85.3
Moravica District	32.2	87.8	31.2	108.7	100.56	84.4
Raška District	31.8	86.9	43.6	152.1	100.93	79.4
Rasina District	27.0	73.6	38.1	133.0	99.81	78.7
Nišava District	33.7	92.0	37.5	130.6	101.10	82.6
Toplica District	23.6	64.4	52.2	182.1	111.08	68.8
Pirot District	33.8	92.4	41.5	144.8	102.85	81.4
Jablanica District	21.1	57.5	53.0	184.9	108.05	76.0
Pčinja District	25.3	69.0	42.4	148.0	101.98	74.9
<b>Central Serbia</b>	<b>37.1</b>	<b>101.4</b>	<b>28.5</b>	<b>99.2</b>	<b>100.90</b>	100.9
North Bačka District	37.7	102.9	25.2	87.8	120.34	91.0
Middle Banat District	29.4	80.3	33.8	117.9	95.79	95.4
North Banat District	31.3	85.5	31.0	108.0	99.93	89.0
South Banat District	29.5	80.6	35.2	122.8	106.18	102.4
West Bačka District	29.5	80.4	35.6	124.1	103.63	88.6
South Bačka District	46.3	126.5	24.9	86.9	108.31	105.8
Srem District	27.3	74.6	30.7	107.1	96.40	87.2
<b>Vojvodina</b>	<b>35.3</b>	<b>96.3</b>	<b>29.3</b>	<b>102.2</b>	<b>104.53</b>	97.7
<b>REPUBLIC OF SERBIA</b>	<b>36.6</b>	<b>100.0</b>	<b>28.7</b>	<b>100.0</b>	<b>101.86</b>	100.0

Source: Municipalities in the Republic of Serbia in 2009. year, the National Employment Service, Monthly Statistical Bulletin, vol. 95, July, 2010, Statistical office of the Republic of Serbia: The average earnings per employee by districts and municipalities, Announcements No. 278, 4.09. 2010 and our own calculations.

During the period between the escalation of global economic crisis to today, this problem is even more intensified, as illustrated by the unemployment index for the period from October 2009 until July 2010. In this period, out of a total of 25 territorial units (24 districts + City of Belgrade), reduction of the number of unemployed has been registered in eight districts and the City of Belgrade, according to the National Employment Service. In all the others, unemployment increased to a greater or lesser extent. Also, there are striking differences between the developed parts of the country and areas that have traditionally slower development dynamics, when it comes to the level of average wages per employee. The difference between Belgrade as the most developed economic and cultural center and Toplica district in the first eight months of 2010, measured by the level of wages, was 1:1.94.

It is obvious that the labor market in Serbia is almost non-functioning, speaking in the terms of the regional level, because developed regions, at the same time, have a higher level of earnings and lower unemployment rate, and interregional labor mobility is very low. The cause of this should be sought primarily in the fact that prescribed measures of economic policy in the domain of labor market work, which are directed towards more uniform regional development and both created and implemented by officials of the competent authorities and institutions in our country, are quite confusing, incomplete and inefficient. Much more attention is paid to the policy of directing capital to areas that are faced with the problem of high unemployment, than the use of different instruments and mechanisms in the sphere of the labor market. Labour mobility, both between regions and between occupations, is disturbingly low. Generally, it takes from the peripheral areas to large urban centers. As a consequence of this policy, we have a situation characterized by extremely high concentration of scientific, research and innovation potential in the large centers (Belgrade, Novi Sad, Niš, Kragujevac). This has led to diminishing possibilities of local and regional knowledge in order to solve particular problems in the economy of peripheral and underdeveloped areas. For a long period of time, educated and capable people who could be the carriers of development, leave such areas. On the other hand, infrastructural facilities as a prerequisite for development, which were used once, today are financially and with personnel unacceptably neglected (Arandarenko, Nojković 2007). They still lack a qualified workforce for the modern industrial production, entrepreneurial initiatives and numerous other specific skills required by modern way of doing business, market-oriented economy and the increasingly keen competition. Without an educated and skilled workforce, high expectations of changes in production structure are not realistic, because the change in the structure initiate changes the character of demand for labor, both regionally and professionally.

### Conclusion

The problem of (un)employment is one of the most current socio-economic problems of the modern world. However, all countries and regions are not equally affected by this issue. Even within each country, there are parts of the territory (regions) that are, in the long period of time, far behind in the level of employment, recording higher unemployment rates than the national average. One of the reasons for this phenomenon lies in the fact that the labor market has many characteristics compared to markets of goods and capital, making this market imperfect. Therefore, in conducting the regional policy, both at European Union level and within many individual countries, a special significance is given to finding adequate mechanisms and instruments that will contribute to better functioning of labor markets, and therefore, achieving more harmonious regional development.

The labor market in the Republic of Serbia is also characterized by sharp differences in almost all levels of territorial aggregation. The differences are particularly pronounced between rural and urban areas, southern/southeastern areas and northern parts of the country, as well as in concentration of labor resources (both in the scope and structure) and quality in major urban centers, if compared to the other areas. The absence of timely and adequate measures of regional policy in the labor market had resulted in the fact that the peripheral areas remained virtually without human resources who possess entrepreneurial initiative and appropriate qualifications, as well as the other characteristics required by modern industrial production methods, which could be carriers of their rapid development and progress in the future.

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