

CHARACTERISTICS OF UNEMPLOYMENT IN THE REGION OF SOUTHERN AND EASTERN SERBIA

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Abstract. *Serbian labor market is characterized by a high level and stable character of unemployment and long-term unemployment. However, in terms of unemployment, there are differences between developed and less developed regions in Serbia. These differences are especially prominent between northern and southern parts of the country. Examination of these regional differences is the subject of this paper. The authors focus on unemployment dynamics in the region of Southern and Eastern Serbia, with special reference to border districts. This region has highest unemployment and long-term unemployment rate, coupled with a very unfavourable structure of unemployment. In order to reduce regional differences in unemployment, well targeted pro-active policies are needed for the promotion of employment at the national, regional and district level. Programmes which are intended to promote employment of long-term unemployed should have priority.*

Key words: *unemployment, labor market, Southern and Eastern Serbia.*

1. INTRODUCTION

Unemployment and poverty have been among the key problems in Serbian economy since the beginning of transition. The transition from the old system (which was characterized by employment and social security) to the market economy (characterized by a high level of uncertainty) has given rise to high unemployment. Many workers lost their jobs as a consequence of privatization and restructuring of state enterprises, while *de novo* private sector did not manage to create enough new jobs. Besides the abovementioned structural and institutional factors, political conflicts and civil wars also contributed to unemployment. It was expected that economic reforms would improve the business climate and thus contribute to economic growth, but in many transition countries situation was quite opposite. A majority of Western Balkan countries (including Serbia) were unable to produce the required levels

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of economic growth and, consequently, experienced rising unemployment rates, especially long-term unemployment (Casez, Nesporova, 2004). Low *per capita* income and domestic savings could not produce the necessary level of capital accumulation. These countries were also unable to attract the desired levels of foreign direct investment (FDI), another source of capital accumulation, increases in employment, technology transfer and economic growth.

In comparison to EU countries, Serbia has a very low employment rate, a very high unemployment rate, and a long-term unemployment rate. A low rate of employment implies unutilized resources and production inside the production possibility frontier. As a result of long-term unemployment, people lose their skills, which diminishes their prospects of finding a new job in the near future. This eventually leads to rise of the natural rate of unemployment. We should also mention that high rates of unemployment increase social benefits payments, which impose an additional burden on public finances. The Serbian labor market is characterized by regional labor market differences. National rate of unemployment averages out regional differences in unemployment rates. The subject of this paper is examination of these regional differences. The authors will focus on the unemployment in Southern and Eastern Serbia, with the purpose of exploring the problem of imbalance between supply and demand for labor, especially in border districts. On the basis of empirical data analysis, we will try to determine the dynamics and the basic characteristics of unemployment in the region of Southern and Eastern Serbia.

2. CHARACTERISTICS OF THE SERBIAN LABOR MARKET

Labor markets in former socialist economies share the same legacy and also face similar problems during transition from socialism to market economy (Kovtun, Cirkel, Murgasova, Smith, Tambunterchai, 2014). A policy of full employment, high degree of job protection and overall rigidity of the labor market were gradually replaced with rising unemployment and growth of temporary and insecure employment.

Data from the Labor Force Survey for Serbia (Serbian Bureau of Statistics, 2014) shows that only 48.9% of the population of working age falls into the category of active population (table 1). There is huge difference between activity rate in Serbia (51.8) and the EU-27 (72.3). In addition, employment rate (41.7) is also considerably lower in Serbia as compared to the EU-27 average (64.9), both in total as well as for male and female population. Employment rate of the female population in Serbia is almost two times lower than employment rates for the EU-27.

Table 1 Activity rates and employment rates in Serbia and the EU-27 (in %)

	Activity rate			Employment rate		
	Total	Male	Female	Total	Male	Female
Serbia	51.8	60.4	43.7	41.7	49.1	34.8
EU-27	72.3	78.2	66.6	64.9	70.2	59.6

Source: Eurostat, 2014; Republički zavod za statistiku (Serbian Bureau of Statistics), 2014.

Table 2 contains data on unemployment and long-term unemployment in Serbia. High level of unemployment is usually accompanied by high long-term unemployment. Unemployment rate and long-term unemployment are well above the average of the EU-

27. Both in Serbia and the EU-27 unemployment and long-term unemployment rates are higher for female than for male population.

Tabela 2 Unemployment rates and long-term unemployment rates in Serbia and in the EU-27, 2014 (%)

	Unemployment rate			Long-term unemployment rate		
	Total	Male	Female	Total	Male	Female
Serbia	19.4	18.7	20.4	13.0	12.4	13.9
EU-27	10.2	10.1	10.3	5.0	5.0	5.0

Source: Eurostat, 2014; Republički zavod za statistiku (Serbian Bureau of Statistics), 2014.

What is important for the unemployed is not unemployment rate *per se* but the possibility of finding a new job. The high unemployment rate is consistent with two modalities of the labor market: 1) high active labor market in which many workers go through unemployment on the road to new, better work; or 2) the so-called "sclerotic" labor market where unemployment is "a stagnant pond", where the unemployed have little chance to find new jobs in the near future (Nutti, 1996: 43). The Serbian labor market corresponds to the second type. Serbia has a relatively high rate of unemployment, coupled with high long-term unemployment. According to the Labor Force Survey for 2014 (Serbian Bureau of Statistics, 2014), the unemployment rate in Serbia was 19.4%.and long-term unemployment rate was 13.0%. Considering the structure of the unemployed by length of job-seeking, 67.2% of the unemployed in Serbia are waiting for a job for more than one year, while 13.9% of the unemployed are searching for a job for more than seven years. High rates of long-term unemployment have numerous negative effects. First, since individuals lose their jobs and stay unemployed for a long period of time, they are faced with a loss of working skills. Such individuals often become discouraged and stop looking further for a new job. Unused human resources do not only reduce real GDP below potential (which in the long-term leads to a lower potential GDP) but they also cause additional fiscal burden related to rising social benefits.

In addition to high unemployment rate and long-term unemployment, a significant number of employed people is faced with job uncertainty and have feeling of potentially jobless people (Beleva, 1997). Whereas the number of employees with secure jobs is decreasing, the insecure jobs and temporary employment is rising. The asymmetry between the loss of stable job positions in manufacturing and slow growth of jobs in the services sector has serious negative consequences. The above-mentioned structural changes caused certain changes in the labor market. Due to growing mechanization and automation, demand for specialized skills and abilities is growing, while demand for unskilled labor is decreasing. The unemployed and the underemployed tend to have low operating and educational qualifications, and cannot expect high wages. Technological development leads to rapid changes in the labor market, where unskilled workers are adapting slowly (Gottschalk, Smeeding, 1997). People from lower income groups have limited access to technical equipment such as personal computers, and are lagging behind in the technological race. The lack of technical competence reduces the possibility of employment, which encourages social exclusion and poverty. Employment on the primary labor market offers job security, prospects for advancement, opportunities to upgrade skills, and relatively high earnings. In contrast, the secondary labor market offers little job security and limited opportunities for advancement and training, as well as low wages. The primary labor

market is usually found in large corporations. Small firms are dependent on large corporations. Being in a delicate position, they cannot offer the same conditions to their employees. Unemployment, long-term unemployment and job uncertainty have become central issues for Serbian economy.

A major problem is the relatively high rate of youth unemployment. It should also be mentioned that in the employment structure, younger categories have a lower percentage of permanent employment, a higher percentage of temporary employment than the older category, meaning that they are facing a greater risk of moving into the category of unemployed.

There are high unemployment rates for those with secondary and high education. In the structure of the unemployed population, 16.6% are individuals with no education and low education attainment, 64.7% with secondary education and 18.7% with high education. (Serbian Bureau of Statistics, 2014).

There is a high rate of entry into employment (inflow to unemployment) and a very low rate of transition from unemployment to employment (outflow rate into employment). Since 1990, the number of those who enter employment services after losing a job and new entrants to the labor market is higher than the number of those who found employment. The differences may be illustrated by the following statistical data: 5.452 people in the year 2000, 19.105 people in 2005, 30.298 in 2010, and 43.809 in 2014.

There are significant regional disparities in unemployment. Regions in Serbia differ substantially in terms of labor market performance. The highest unemployment and long-term unemployment rates are in the region of Southern and Eastern Serbia.

The position and the role of women in economic and social sphere in Serbia has changed. Those changes are predominantly determined by their position in unemployment and employment. The indicators of female employment and unemployment show that the position of women in the labour force has become unstable. The typical effects of these changes are lower rates of marriage and childbirth, and orientation to one-child family. Among unemployed women, 2/3 are long-term unemployed.

There is a large number of discouraged individuals in Serbia, individuals who want a job and are able to work but have given up active search because they believe that they cannot find a job. According to the Labor Force Survey for 2014 (Serbian Bureau of Statistics, 2014), among those who do not want to work for personal reasons, 6.3% are discouraged individuals who have given up looking for job because they believe that they cannot find one. As a rule, high unemployment rates in some groups were accompanied by high rates of discouragement. This is because the perspective of finding a job is very weak in the conditions of high unemployment, which makes individuals less active in searching for a job. Since young people have difficulties in finding jobs, which is evident from the unemployment rate in this age group, it would be logical to assume that the discouraged group includes a larger number of younger individuals, rather than older ones. Unemployment rates were highest for the 15-24 age group and the 25-34 age group. However, these age groups have the lowest percentage of discouraged individuals: 1.1% in the 15-24 age group and 8.3% in the 25-34 age group (Serbian Bureau of Statistics, 2014). This percentage is significantly higher in older age groups. So, although the unemployment rate of young people has increased, they have not lost hope that they will find a job. In comparison to the aging population, they feel more able to adapt to changes in the labor market. In general, the highest percentage of discouraged individuals has been recorded among the elderly, those who live in rural areas, and those with basic and secondary education.

3. DIFFERENCES IN REGIONAL UNEMPLOYMENT DYNAMICS

Labor market is usually considered only from a national perspective. However, different regions within one country often display considerable differences regarding employment and unemployment dynamics. One of the reasons is that labor market differs in many aspects from other markets. The labor market in Serbia is characterized by considerable differences in almost all levels of territorial aggregation. Beside the differences between rural and urban areas, there are also pronounced differences between southern/southeastern areas and northern parts of the country. As a result of the absence of timely and adequate regional policy measures in the labor market, there is pronounced concentration of capital and labor resources in major urban centers. Peripheral areas, especially those in Southern and Eastern Serbia, remained virtually without labor force with adequate skills and qualifications necessary in contemporary business environment. Table 3 contains data on activity and employment rates in Serbian regions.

Tabela 3 Activity and employment rates in Serbia, by regions in 2014 (%)

	Activity rate			Employment rate		
	Total	Male	Female	Total	Male	Female
Belgrade region	51.9	58.4	46.2	42.7	48.0	38.0
Vojvodina region	51.3	60.8	42.5	40.8	48.2	33.9
Šumadija and Western Serbia	54.0	63.2	45.1	44.2	52.9	36.0
<i>Southern and Eastern Serbia</i>	49.4	58.5	40.6	38.5	40.6	30.7
Kosovo and Metohija region	-	-	-	-	-	-

Source: Republički zavod za statistiku (Serbian Bureau of Statistics), 2014.

We can notice that activity rate is lowest in the region of Southern and Eastern Serbia (49.4). Employment rate is lowest in this region (38.5) as well.

Tabela 4 Unemployment rates in Serbia, by regions 2014 (%)

	Unemployment rate		
	Total	Male	Female
Belgrade region	17.8	17.8	17.7
Vojvodina region	20.4	20.7	20.2
Šumadija i Western Serbia	18.0	16.3	20.3
<i>Southern and Eastern Serbia</i>	21.9	20.3	24.2
Kosovo and Metohija region	-	-	-

Source: Republički zavod za statistiku (Serbian Bureau of Statistics), 2014.

As far as unemployment is concerned, the region of Southern and Eastern Serbia has highest unemployment rate 21.9% (Table 4) and long-term unemployment rate 15.7% (Table 5). Data from tables 3 and 4 lead us to the conclusion that the key problem of unemployment in Serbia is long-term unemployment. Economic developments during the last ten years have pushed a large segment of active population out of employment for a prolonged period of time.

Analysis of unemployment by gender reveals that activity and employment rates are lower for female population in all regions. Unemployment rates for male and female

population are similar in Belgrade and Vojvodina region, while unemployment rates in Šumadija and Western Serbia as well as in Southern and Eastern Serbia are notably higher for female than for male population. Also, long-term unemployment rates are also higher for the female population (table 5). Comparison of unemployment data from the Labour Force Survey for the last decade point out to a high level and stable character of unemployment, especially long-term unemployment. Long-term unemployment rates show that a considerable part of active population is excluded from the labour market and labour for a long time, meaning that society loses value added on the basis of the forgone production. The situation is especially unfavourable in the region of Southern and Eastern Serbia, where 1/6 of the active population is excluded from labour. In this region, long-term unemployment constitutes 70.1% of women unemployment, revealing rather limited opportunities for their employment.

Table 5 Long-term unemployment rates in Serbia, by regions, 2014 (%).

	Long-term unemployment rate		
	Total	Male	Female
Belgrade region	11.3	11.1	11.2
Vojvodina region	13.1	12.9	13.5
Šumadija and Western Serbia	11.1	10.5	11.9
<i>Southern and Eastern Serbia</i>	<i>15.7</i>	<i>14.6</i>	<i>17.2</i>
Kosovo and Metohija region	-		

Source: Republički zavod za statistiku (Serbian Bureau of Statistics), 2014; calculations by the authors.

After more than one year of being unemployed, most unemployed persons lose their professional skills. On the other hand, society must provide social support benefits for the unemployed, which represent additional fiscal burden. Exclusion from the labor market is considered as a very important dimension of social exclusion. Unemployment is a key form of exclusion from the labor market, and the risk of exclusion increases with the period of unemployment. Loss of earnings, at a time when individual has no other income, means spending reserves. Long-term unemployment is often accompanied by the growth of poverty and social isolation. It reduces resources that an individual can use to improve personal skills and knowledge, which decreases the possibility of finding a new job. If long-term unemployment is accompanied by rising social isolation, it leads to reduction in social support, particularly direct support of other individuals. An individual may become discouraged and stop looking for a new job. Long-term unemployment, poverty and social isolation reduce the possibility of finding a new job, which could undermine confidence and motivation of individuals.

A vast majority of unemployed citizens in Serbia are people with secondary education. However, Serbia also has relatively high unemployment rate among those with higher education.

High unemployment rates among young people have brought disappointment with the market economy and reduced support for further market reforms. Being unemployed at the time when they should start their working life means that young people cannot valorize their skills, upgrade their competences and be competitive at the labor market because of the lack of professional experience. In addition, being excluded from the labor market prevents them from establishing contacts with people who have professional skills and,

thus, they miss the chance to acquire skills by working together. Without earnings, young people are dependent on their parents and hesitate to start their own families and raise children. Long-term unemployment of young people affects their self-confidence, whereas the stress associated with unemployment may trigger mental illnesses and cause deviant behavior (Paugam, 1995).

Table 6 Informal employment in Serbia and by regions, 2014 (%)

	Serbia	Belgrade region	Vojvodina region	Šumadija and Western Serbia	Southern and Eastern Serbia	Kosovo i Metohija region
Rate of informal employment	22.0	8.2	19.0	32.1	26.6	-

Source: Republički zavod za statistiku (Serbian Bureau of Statistics), 2014.

One of the frequently cited obstacles that discourage investors and prevent job creation is relatively high level of shadow economy and informal employment. Figures for the informal employment are presented in the table 6. The new EU member countries with relatively high *per capita* incomes have notably lower informal employment rates than Serbia. The highest levels of informal employment are in Šumadija and Western Serbia (32.1%), and Southern and Eastern Serbia (26.6%).

4. UNEMPLOYMENT STRUCTURE IN SOUTH-EASTERN SERBIA BORDER DISTRICTS

Serbia is divided into five regions: Belgrade region, Vojvodina region, Šumadija and Western Serbia, Southern and Eastern Serbia, and Kosovo and Metohija region. Southern and Eastern Serbia has the status of an underdeveloped region since its GDP is below the national average. Among 19 administrative units classified as devastated areas (because their development level is below 50% of the national average), 16 are located in the region of Southern and Eastern Serbia: Babušnica; Bela Palanka; Bojnik; Bosilegrad; Bujanovac; Vladičin Han; Golubac; Žitorađa; Kuršumlija; Lebane; Medveđa; Merošina; Preševo; Svrljig; Surdulica and Trgovište.

The de-industrialization of the Southern and Eastern Serbia, as part of the transition process, has led to a decline of manufacturing, the growth of unemployment and reduction of living standards of the population. Depopulation is also an unfavorable tendency observed in the economic development of this region. The poor economic situation in the region encourages migration of its population to more developed areas in Serbia and abroad (Bulgaria – Serbia IPA Cross-border Programme, 2014). Throughout the 20th century, population moved from rural areas to the cities in the region, as well as from the region to the larger and economically more developed areas. As a result, we have the concentration of capital, skilled labor and innovation potential in the large centers. It reduces the potential of underdeveloped regions to put in force local knowledge and resources in order to solve specific economic problems.

Table 7 Unemployment rate, activity rate and those who are searching job for the first time in border districts of Southern and Eastern Serbia, in 2014 (%)

	Activity rate	Employment rate	Unemployment rate	First-time job seekers
Bor district	48.5	39.1	19.5	37.2
Zaječar district	48.6	38.0	21.8	33.3
Jablanica district	52.8	42.0	20.4	45.4
Nišava district	50.2	36.3	21.2	38.4
Pirot district	45.9	36.2	21.2	40.1
Pčinja district	46.7	34.9	25.2	51.0

Source: Republički zavod za statistiku (Serbian Bureau of Statistics), 2014.

In the majority of districts, activity rates and employment rates are below the Serbian average (51.8%), except for the Jablanica district (Table 7). All districts have unemployment rates above the Serbian average (19.4%). The Pčinja district has the highest unemployment rate (25.2%).

There is a high percentage of those who are searching a job for the first time, without any previous work experience. In Pčinja, more than half of the unemployed are first-time jobseekers. Having in mind that employers are willing to employ those with work experience, there is a serious imbalance in this respect. Young people are finishing their education with knowledge and skills which are not in accordance with the labour market needs. Given the stagnation of some industries, the need for certain professions diminishes; consequently, there is a surplus of some professions and deficit in others. The unemployed are lacking a combination of knowledge and skills necessary for finding and retaining a job.

As far as unemployment is concerned, the least problematic is *short-term unemployment* (up to 6 months). It is temporary by its nature and involves time between leaving one job and finding another. Such unemployment is called frictional and it is usually not a subject of social policy. *Medium-term unemployment* which lasts up to 12 months is caused by structural factors and reflects the imbalance between the knowledge and skills of individuals and the requirements of the labor market. This imbalance calls for carefully designed policy measures since unemployment could easily turn into long-term unemployment with all its negative consequences if an individual does not succeed to return to the labor market. *Long-term unemployment* lasts longer than one year and it leads to exclusion from the labor market and social exclusion. During long-term unemployment, social networks structure changes from working social networks (which can help individual to return to the labor market) into social networks of people who are not working and are parasitizing on social benefits (Kučař, Vaska, 2003), which prevent return to the labor market.

In cases where long-term unemployment is pervasive, it must be further specified. Thus, *very long-term unemployment* denotes unemployment that lasts 24 – 36 months. *Extremely long-term unemployment* is unemployment longer than 36 months. Both types of unemployment – very long term unemployment and extremely long-term unemployment - make return to the labor market almost impossible. The data presented in Table 8 point out to a durable character of unemployment in Southern and Eastern Serbia. This means that unemployment is not of cyclical but of structural character, with limited chances of re-employment. Particularly affected are young people, who may be excluded from the labor market for years. In this region, 20.4% of the unemployed find jobs within 6 months, 32.5%

within a year, while 2/3 of the unemployed (67.5%) search for a job for more than 12 months. Within the structure of the unemployed, 42.3% represents extremely long-term unemployment (Serbian Bureau of Statistics, 2014). The data on long term-unemployment and extremely long-term unemployment are presented in Table 8. The highest share of long-term unemployment in overall unemployment is in the Nišava district, while the highest share of extremely long-term unemployment is in the Jablanica district.

Table 8 Long-term unemployment and extremely long-term unemployment in border districts of Southern and Eastern Serbia, 2014 (%)

	Long-term unemployment	Extremely long-term unemployment
Bor district	69.3	42.5
Zaječar district	71.4	44.7
Jablanica district	73.2	49.2
Nišava district	71.8	42.1
Pirot district	68.6	39.1
Pčinja district	65.7	36.4

Source: Nacionalna služba za zapošljavanje (National Employment Service), 2014; calculations by the authors.

High long-term unemployment rate has economic, social and even political repercussions. It causes forgone production, lower tax revenues and increasing demand for social transfers. On the other hand, human capital that is not used loses its value.

Table 9 Structure of unemployment in border districts of Southern and Eastern Serbia by educational attainment, 2014 (%)

	No formal education; incomplete primary education; primary education I, II	Secondary education III, IV, V	Higher school, Faculty/ University education VI, VII, VIII
Bor	42.7	47.8	9.5
Zaječar	36.0	52.5	11.5
Jablanica	31.0	60.2	8.8
Nišava	21.4	61.7	16.9
Pirot	36.5	50.8	12.7
Pčinja	43.0	46.4	10.6

Source: Nacionalna služba za zapošljavanje (National Employment Service), 2014; calculations by the authors.

In order to ensure economic and social development, Southern and Eastern Serbia region needs well-educated citizens, whose skills are in compliance with the labor market needs. The current educational structure of the unemployed shows that there is the highest percentage of unemployed people with III, IV and V level of education, followed by unskilled and semi-skilled unemployed people (with I and II level of education). The biggest problem in these districts is a large number of unemployed people with university degrees, which is one of the reasons for the migration of these educated individuals from

these areas to more developed parts of the country or abroad in search for employment. Table 9 contains data on the structure of unemployment according to the educational attainment in selected districts of Southern and Eastern Serbia.

Bor and Pčinja have the highest share of unemployed people with primary education or no formal education, whereas the Nišava and the Jablanica regions have the highest share of unemployed with secondary education. These two regions also have the most serious problems with unemployment of highly educated individuals.

The age structure of the unemployed shows a high share of unemployed in the over 50 age group in the total number of unemployed (*Table 10*). This is also the group that encounters most difficulties in finding a job. The highest shares of unemployed people are recorded in the 30-50 age group, including individuals in the most productive period.

Table 10 Structure of unemployment in border districts of South-Eastern Serbia by age, 2014 (%).

Age	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64
Bor	3.2	11.3	13.2	11.9	12.1	11.9	11.4	10.8	10.1	4.0
Zaječar	2.6	9.4	12.3	12.1	11.7	11.9	11.3	11.8	11.5	5.2
Jablanica	2.4	11.0	13.7	12.5	12.1	11.1	11.3	11.1	10.0	4.6
Nišava	2.7	9.5	11.8	10.3	10.2	11.5	12.3	14.1	12.2	5.2
Pirot	2.7	10.3	11.6	11.3	12.2	12.4	12.6	12.6	9.4	4.8
Pčinja	2.5	9.9	13.0	12.0	12.5	13.2	13.8	11.3	8.3	3.4

Source: Nacionalna služba za zapošljavanje (National Employment Service), 2014; calculations by the authors.

5. ACTIVE LABOR MARKET MEASURES

Regional perspective is in the focus of the National Employment Strategy, which emphasizes the need to define goals and recommend measures for promotion of employment at the national, regional, and district level. Accordingly, in order to solve the problem of regional disparities in terms of employment, it is envisaged that local governments should adopt their own action plans for employment, which must comply with the National Employment Strategy.

The National Employment Service has prepared the following measures aimed at encouraging employment in 2016:

- active job search measures
- programs for gaining practical knowledge
- training programs to meet employers' needs
- job creation subsidies
- self-employment subsidies
- public works
- disability employment subsidies.

The abovementioned measures will include 123.640 unemployed persons in Serbia, with emphasis on the active job search measures. The planned number of individuals who will be covered by these measures is 103.490 (National Employment Service, 2016).

There is a general consensus that labor market measures, oriented towards a balanced regional development, were inefficient in the previous period. Active policy measures are often taken in the short term, without detailed study and preparation. Additionally, there is no serious assessment of medium-term effects of the program of active employment policies.

Active employment measures have neither managed to reduce unemployment in Serbia nor to narrow regional differences. Programs dealing with young people in particular show poor results. A small number of young people have used some of the services and active employment policy measures, and an even smaller number of them have managed to find a job. The most successful were the "First Chance" programs and professional practice programs.

Insufficient resources are only a part of the problem. According to one study, only 26.8% of the surveyed companies are using some of the programs which include active employment policy measures, while a vast majority of even 73.2% does not use any of the available programs (Bulgaria – Serbia IPA Cross-border Programme, 2014). A significant number of users is not even aware of certain services and active policy measures of the National Employment Service. There is a need to better inform the employers about the programs of other state institutions (such as the Development Fund, banks, etc.) aimed at stimulating the hiring of young people. Also, employers in Serbia know little about the available resources offered by the European Union and other international organizations as development assistance, which may greatly reduce Serbia's chances to withdraw significant funds from the EU pre-accession funds in the future.

6. CONCLUSIONS

The problem of unemployment 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. One of the reasons for this phenomenon lies in the fact that the labor market has many specificities that make it imperfect. Therefore, in conducting the regional policy, special emphasis should be on finding adequate mechanisms and instruments that will contribute to a better operation of the labor markets and achieving a more harmonious regional development.

The unemployment problem in Serbia, like in other Western Balkan countries, differs from that of developed countries. Passive employment policy measures (such as unemployment benefits for unemployed people) as well as the active ones (such as setting up databases and education opportunities for the unemployed) could help in combating unemployment, but the most important task is to create conditions for the sustainable high rate of economic growth. Yet, for various reasons, Serbia has not managed to provide favorable conditions for economic growth. Weak labor market performance in Serbia is among the major obstacles, since it undermines growth prospects in the medium and long-run, and represents serious challenge to policy making. Labor legislation does not provide for flexible hiring and firing practices, thereby impeding the allocation of labor in accordance with the economy needs. In addition to the insufficiently flexible labor markets, there is widespread corruption and shadow economic activities that impede the functioning of the market economy by causing rent-seeking behavior among economic agents. Another significant problem is obsolete and inadequate infrastructure. As a result, Serbia is not an attractive business environment.

The labor market in Serbia is characterized by very sharp differences at almost all levels of territorial aggregation: between rural and urban areas, southern and northern parts of the country. There is a high concentration of labor resources, both in extent and quality, in the big cities and developed areas of the country. As far as unemployment is concerned, the region of Southern and Eastern Serbia has the highest unemployment rate and long-term unemployment rate. The age structure of unemployed persons is unfavorable. A majority of the unemployed are in the 30-50 age group, including individuals in their most productive period. Those who do not have sufficient qualifications and the younger generations are the majority in the structure of unemployed persons. What is particularly worrying is the high rate of long-term unemployment. Southern and Eastern Serbia is characterized by a considerable gap between economy needs and labor supply. Lack of adequate knowledge and skills, lack of experience and deficient professions are the most common reasons for this discrepancy.

There are no simple solutions for this problem. Reform of labor legislation is very important in order to facilitate employment as well as to improve the business climate and attract investment. The unfavorable qualification structure of unemployed persons and outdated skills call for reform and innovation of the education system, especially secondary education and adult education. Structural policies oriented toward improving the functioning of labor markets and active labor market policies, including training and retraining programs are priority directions of prospective action. Active labor market measures have not had the expected effect on reducing unemployment. The reason for this is certainly the limited amount of funds and the fact that active labor market policy measures have been often taken in the short term, without detailed study and preparation. Only well targeted pro-active policies for promotion of employment could be successful. Programmes which are intended to promote employment of long-term unemployed persons should have priority. Numerous and diverse programmes should be implemented to address the various groups within the larger group of long-term unemployed. The above mentioned measures are very important but it is necessary, first of all, to achieve a sustainable rate of output growth, which will allow the creation of new jobs in order to reduce the inflow into unemployment.

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KARAKTERISTIKE NEZAPOSLENOSTI U REGIONU JUŽNE I JUGOISTOČNE SRBIJE

Tržište rada Srbije karakteriše visok nivo i stabilan karakter nezaposlenosti i dugoročne nezaposlenosti. Postoje, međutim, znatne razlike između razvijenih i manje razvijenih regiona u Srbiji u pogledu nezaposlenosti. Ove razlike su posebno izražene između severnih i južnih delova zemlje. Istraživanje ovih regionalnih razlika predmet je ovog rada. Fokus našeg istraživanja biće dinamika nezaposlenosti u regionu Južne i Istočne Srbije, sa posebnim osvrtom na pogranične okruge. Ovaj region ima najveću stopu nezaposlenosti i dugoročne nezaposlenosti, a uz to i nepovoljnu strukturu nezaposlenih. U cilju smanjenja regionalnih razlika u nezaposlenosti, dobro ciljane pro-aktivne mere neophodne su za podsticanje zapošljavanja na nacionalnom, regionalnom i na nivou okruga. Programi koji su orjentisani na promovisanje zapošljavanja dugoročno nezaposlenih moraju da imaju prioritet.

Ključne reči: *nezaposlenost, tržište rada, Južna i Istočna Srbija*