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LABOR MARKET IN SERBIA – THE PROBLEM OF UNDECLARED WORK

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Abstract: *The focus of our research is the problem of undeclared work in the labor market in Serbia. We have investigated how frequent it is and what are the main reasons for it. Likewise, we have tested differences between different groups of employees and their level of undeclared work and their reasons for accepting it. The research is done based on the survey conducted in the Republic of Serbia in 2020. The obtained data from the survey was analysed by descriptive statistics, t-tests, and one-way analysis of variance (ANOVA).*

Key words: *labor market, undeclared work.*

INTRODUCTION

The labor market in Serbia is the subject of many research. Many of them focused on gender, age, and everyday work (Bakić, 2009).

The gender gap is being examined in terms of different opportunities for women and men during the recruitment process and during work,

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including job promotions. It is well known that women earn less than men, and are less likely to be promoted to higher positions than men (Goldin, 1990). This is not the case only in developing countries, but also in developed countries, as proven by many studies. As per research of Fodor and Glass (2018), the gender gap in employment varies widely across Central and Eastern Europe. Most of studies regarding gender discrimination focus on finding differences between men and women in some measurable characteristic (earnings, bonuses, etc) and to find the reasons for these differences. Many research focus on gender gap in entrepreneurship and the main causes of it (Vossenbergh, 2013). If the reason for the higher income of the man in comparison to the women is not result of his higher professional and educational background for the same job position, is it likely that discrimination is to be found.

Undeclared work is everyday work that is hidden from the official Government bodies i.e. is not reported. Different terms are used for this phenomenon such as undeclared work, unregistered work, informal work, subterranean work, underground work, tealight work, hidden work, unobserved work, and illicit economy (Rennoy, 2007). The phenomenon of undeclared work is primarily being investigated in the countries of Southeast Europe. Tackling the undeclared economy representing around a quarter of Gross Domestic Product in Southeast Europe is a significant task for Southeast European governments (Schneider and Williams 2013). There is no unique definition of undeclared work. However, reflecting the consensus in the literature, undeclared work is defined as paid work that is legal in all respects other than it is not declared to the authorities for tax, social security, or labor law purposes (Williams C. and Franic J., 2015). The work of an employee can be fully reported, partly reported, or fully unreported. Undeclared work is harmful to the economy as it boosts the black economy. The main reasons employers are interested in the undeclared work of their employees are high taxes and contributions they are obligated to pay to the Government. By choosing undeclared work, these taxes remain unpaid and therefore huge losses are made for the fiscal authorities. However, finding reasons for employer's choice of undeclared work as evident, researches less focus on employee's reasons for accepting the undeclared work.

Undeclared work is a direct consequence of an agreement between employer and employee and therefore, requires both sides.

Our research have focused on finding out how frequent is undeclared work among employees in Serbia. Moreover, we have found out the main reasons why employees accept undeclared work. Also, we have compared different groups of employees to spot the differences between their level of undeclared work and their reasons for accepting it. Groups of employees have been made based on different criteria such as sex, age, education level, and sector they work. The labor market in Serbia is a subject of many studies. However, different authors investigate different aspects of the labor market in Serbia. Some of the authors investigate the gender gap in the labor market in Serbia. Others are focused on regional differences in the labor market. High taxes and everyday work are some of the main issues for employers and employees in Serbia, and likewise, it is part of the research of different authors. Reva (2012) was investigating gender inequality in the labor market in Serbia. She concluded that women in Serbia are much less likely to be employed, start a business or be successful in the political area. The author concluded that the wage gap indicates discrimination of women in the labor market as earnings differentials cannot be explained by differences in observed characteristics of male and female employees. Kolin (2010) was also investigating gender inequalities and women's position in Serbia's labor market. Her study shows that women's level of education is almost equal to that of men, but still, women fail to enjoy quality jobs and successful professional careers to the same extent as men. Avlijaš, Ivanović, Vladislavljević and Vujić (2013) found that employed women in Serbia are better qualified but earn less than men – a woman with the same level of education and working experience as a man earns 11% less. Savković and Gajić (2016) were investigating similarities and differences between labor market conditions in Serbia and EU countries. The authors have concluded that increasing similarity of EU countries and Serbian labour markets is evident, especially in the aftermath of the economic crisis. Blunch and Sulla (2011) researched influence of the financial crisis on women and men in the labor market in Serbia. Their research showed that men are more hit by the crisis in terms of unemployment, while women are more hit than men in terms of the level of earnings. Kostandinović and Stanković (2020) were investigating regional disproportions in the labor market in Serbia. The authors identified

seven low-paid industrial sectors in Serbia. Likewise, these authors found a significant disproportion in wages of workers according to regions. Kogan (2011) was investigating the secondary labor market in Serbia. In her research, she pointed that the secondary labor market in Serbia is significant for young people and that employment in the second labor market is usually unregistered.

Education dropouts are caused by the attractiveness of working in the secondary labor market, while those who are educated do not find it attractive. Koettl (2012) pointed that two major issues in the Serbian labor market are high level of inactivity and a high level of informal employment. This author suggested three possible ways to decrease informal employment and to activate the inactive people: to make formal work pay off for low-wage earners, which genuinely means to test any entitlements to free health insurance or other municipal entitlements, to step up inspections, and enforcement. Williams (2016) researched holistic approach to tackling undeclared work. In his research, he stated that the holistic approach includes direct and indirect policy approaches. As per the author, direct approaches reduce the costs and increase the benefits of operating on a declared basis and increase the costs and reduce the benefits of operating undeclared. Primary, direct approaches mean to punish undeclared work and to reward declared work. On the other side, as per this research, there are indirect approaches that recognise that citizens and businesses are not just rational economic actors but social actors who engage in undeclared work when formal institutional failings lead them to adopt norms and beliefs regarding participation in undeclared work.

AIM OF RESEARCH AND METHODOLOGY

The main subject of our research is the labor market in Serbia and the problem of undeclared work. We have investigated discrimination, safety and reasons for undeclared work in the labor market in Serbia. Moreover, we have tested if there are differences between different groups of employees and their percentage of undeclared work and their reason for accepting undeclared work. Groups of employees have been divided into several groups based on criteriums: sex, age, level of education, and the sector where they work.

The main research questions we have set in this research are:

1. How frequent is discrimination at work and during the recruitment process in Serbia and what are the most common types of discrimination?
2. What are the main reasons why the employees in Serbia accept undeclared work?
3. Is complete safety at work provided for employees in Serbia?

The main hypothesis we have tested in our research are:

- 1 There are no significant differences between men and women in the level of their undeclared work stated and their reason for accepting undeclared work.
- 2 There are no significant differences between people with different education level in the level of their undeclared work stated and their reason for accepting undeclared work.
- 3 There are no significant differences between people of different age groups in the level of their undeclared work stated and their reason for accepting undeclared work.
- 4 There are no significant differences between people from different sectors in the level of their undeclared work stated and their reason for accepting undeclared work.

To collect data about the labor market in the Republic of Serbia, we conducted a survey in 2020. The sample was random without repetition. The target population consisted of employees in Serbia, without entrepreneurs. The research design is intersectoral. The method of data collection is via an online questionnaire. The survey contains seventeen questions. The questions in the survey are of a closed type, except for the last question, which, in addition to the offered answers, also has the possibility of giving one's answer (combined type). The survey is anonymous. Reasons for the anonymity of the survey should be sought like issues involving private information such as undeclared work, discrimination at work, safety at work, etc. From the demographic questions, the survey contains questions about: gender, age, level of education and the sector of the economy in which the respondent works. A total number of received survey responses was 106.

Methods that are used in the research include descriptive statistics, correlation and regression methods. We used these methods as follows:

- Descriptive statistics: to describe the main variable used in the research. We have answered our main research questions which are the frequency and the types of discrimination discovered among employees, reasons of accepting the undeclared work and whether the full safety at work is provided for employees in Serbia.
- t-test and ANOVA: we used t-test to see if there are significant differences between man and woman and their level of undeclared work and their reasons for accepting the undeclared work. When using age, educational level and sector where employees work at, to divide participants, we have formed more than two groups of participants. Therefore, in these cases, we have used ANOVA test to examine whether there are significant differences between groups of participants regarding their level of undeclared work and reasons for accepting the undeclared work.

RESULTS AND DISCUSSION

In order to answer our main research questions, we have used descriptive statistics. Our first research question was focused on discrimination frequency and the most common types of it. As per the data collected and analysed, 74.5 % of participants did not experience discrimination during the recruitment process in Serbia.

Table 1. *Discrimination during the recruitment process*

Valid	Frequency	Percent	Valid percent	Cumulative percent
No	79	74.5	74.5	74.5
Yes	27	25.5	25.5	100
Total	106	100	100	

Source: Authors' work

However, the percentage of employees in Serbia who did not experience discrimination at work is less than the percentage of those who did not experience discrimination in recruitment process. Thus, 67 % of survey participants stated that they did not experience discrimination at work, while 33 % stated that they had experienced some discrimination at work.

Table 2. *Discrimination at work*

Valid	Frequency	Percent	Valid percent	Cumulative percent
No	71	67.0	67.0	67.0
Yes	35	33.0	33.0	100.0
Total	106	100.0	100.0	

Source: Authors' work

Using crosstabulation, we concluded that 19 % of survey participants have experienced both discriminations at work and discrimination during the recruitment process.

Table 3. *Discrimination at work and discrimination at the recruitment process*

Dicrimination at recruitment process	Discrimination at work			
		No	Yes	Total
	No	64	15	79
	Yes	7	20	27
	Total	71	35	106

Source: Authors' work

Graph 1. *Discrimination types*

Source: Authors' work

As per data collected, the most common type of discrimination is discrimination based on social status (18.87%). After it, most common discrimination type is political discrimination (8.49%).

Our second research question was focused on discovering the main reasons employees in Serbia accept undeclared work. As per analyzed data, more than half of survey participants (57.55%) answered that the main reason for accepting the undeclared work is the high risk of unemployment. The second main reason for accepting the undeclared work in Serbia is the amount of salary (35.85%).

Graph 2. *Reasons for accepting undeclared work*

Source: Authors' work

Our last research question concerned safety at work for the employees in Serbia. Half of the survey participants responded that full safety is provided at their work. However, 40.57 % of participants have responded that only partly safety is provided at their work, while 8.49 % of participants claim they do not have any safety at work.

Graph 3. Safety at work

Source: Authors' work

In our first hypothesis we tested if there are differences between men and women in undeclared work stated. The participants were divided into two groups only based on gender. Due to it, we used an independent t-test to test our first hypothesis. Due to independent t-test results, the significance level is 0.924 which is higher than 0.05; therefore, we conclude that there are no significant differences between women and men and their level of undeclared work stated. Likewise, we tested if gender influences participant's reasons for accepting undeclared work. As per the results given, the significance level is 0.962 which is higher than 0.05, we conclude there are no gender differences regarding the reason for accepting undeclared work.

Table 4. Differences between men and women in undeclared work stated

Independent t-test	t	df	p-value
Undeclared work	-0.096	104	0.924
Reason for undeclared work	0.047	104	0.962

Source: Authors' work

In our second hypothesis, we tested if there are differences between people from different educational levels and their level of undeclared work, and their reason for accepting undeclared work. The survey

participants were divided into five groups based on their educational level (primary school, secondary school, higher education school, university Bachelor's degree, and university education Master's degree or higher). Due to more than two groups of participants, we have used the ANOVA test to test our second hypothesis. As per the results given, we conclude that there are significant differences between people with different educational level and their undeclared work level. However, there are no significant differences between people of different educational levels and their reason for accepting undeclared work.

Table 5. *Differences between participants from different educational level and their level of undeclared work and their reason for accepting undeclared work*

Undeclared work	df	Sum of squares	Mean squares	f	p-value>f
Model	2	8.84	4.42	3.56	0.032
Error	103	127.887	1.242		
Corrected Total	105	136.726			
Reason for undeclared work					
Model	6	13.274	2.212	1.774	0.112
Error	99	123.453	1.247		
Corrected Total	105	136.726			

Source: Authors' work

In our hypothesis three, we tested if there are differences between the participant of different ages and their level of undeclared work, and their reason for accepting it. As per ANOVA test results, there are no significant differences between participants of different ages and their level of undeclared work. Likewise, age does not influence their reason for accepting undeclared work.

Table 6. *Differences between participants of different age and their level of undeclared work and their reason for accepting undeclared work*

Undeclared work	df	Sum of squares	Mean squares	f	p-value>f
Model	2	0.922	0.461	0.583	0.56
Error	103	81.417	0.79		
Corrected Total	105	82.34			
Reason for undeclared work					
Model	6	4.957	0.826	1.057	0.394
Error	99	77.382	0.782		
Corrected Total	105	82.34			

Source: Authors' work

In our last hypothesis we tested if there are differences between participant from different sector (public sector, private sector-domestic company, private sector-foreign company, and non-profit sector) and their level of undeclared work, and their reason for accepting undeclared work. As per results from the ANOVA test, there are no significant differences between employees from different sectors and their level of undeclared work, which also applies to their reason for accepting it.

Table 7. *Differences between participants from different sector and their level of undeclared work and their reason for accepting undeclared work*

Undeclared work	df	Sum of squares	Mean squares	f	p-value>f
Model	2	2.194	1.097	1.632	0.200
Error	103	69.212	0.672		
Corrected Total	105	71.406			
Reason for undeclared work					
Model	6	4.515	0.753	1.114	0.360
Error	99	66.89	0.676		
Corrected Total	105	71.406			

Source: Authors' work

CONCLUSION

Based on the obtained results of our survey conducted in 2020, discrimination at work in Serbia (33%) is higher than discrimination during the recruitment process (25%). The most frequent type of discrimination among employees in Serbia is discrimination based on social status. Regarding safety at work, only half of employees stated that they have full safety at work. The main reason for undeclared work in Serbia is high risk of unemployment. As per our hypothesis tested, there are no gender differences in the level of undeclared work stated and the reason for accepting the undeclared work in Serbia. However, there are significant differences between employees with different educational levels in Serbia and their level of undeclared work. There are no significant differences between employees of different educational levels and their reason for accepting undeclared work. In our research, we also concluded that there are no significant differences between employees of different ages in Serbia and their level of undeclared work, and their reason for accepting undeclared work. Finally, we concluded that there are no significant differences between employees from different sectors in Serbia and their level of undeclared work and their reason for accepting it.

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TRŽIŠTE RADA U SRBIJI – PROBLEM NEREGISTROVANOG RADA

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Sažetak: Fokus našeg istraživanja je problem neregistrovanog rada na tržištu rada u Srbiji. U radu smo istraživale koliko je učestao neregistrovani rad u Srbiji i koji su glavni uzroci istog. Takođe, testirale smo razlike između različitih grupa zaposlenih i nivoa njihovog neregistrovanog rada, kao i razloga za njihov pristanak na neregistrovani rad. Istraživanje je zasnovano na anketi izvršenoj u Republici Srbiji 2020. godine. Podaci dobijeni putem ankete su obrađeni uz pomoć deksriptivne statistike, t-testova i analize varijanse (ANOVA).

Ključne reči: tržište rada / neregistrovani rad.