



No. 186 December 2018

Austerity measures exacerbate labour market gender inequality in Serbia

By Jelena Žarković Rakić, Marko Vladislavljević, Ivana Prokić and Ivana Poljak

Key messages

- Serbia's austerity measures applied at the end of 2014 in the public sector were found to:
 - Push younger women to unemployment and women close to retirement age to inactivity
 - Cause a slight increase in the gender wage gap
- The austerity measures did not reduce the gender wage gap as expected due to lower compliance in male-dominated subsectors.
- Formal procedures to evaluate and monitor the distributive impact of any future reform measures should be developed and adopted.

Serbia's austerity measures jeopardize women's employment

To address Serbia's fiscal deficit in 2014 (6.6% of GDP and the single largest in Europe) the government imposed a fiscal consolidation program.

The program included a cut in public sector wages, public sector workforce downsizing, early retirement reforms, and pension cuts.

At the time, Serbia had a high gender employment gap (about 15 percentage points) and a high gender wage gap (about 14 percentage points).

Recent studies suggest that women's wages and employment levels are particularly vulnerable to the austerity measures as women represent the majority of the public sector workforce.

Additionally, changes to retirement legislation introduced prior to fiscal consolidation may mean that grandparents are less available to provide informal child care, further jeopardizing women's position in the labour market.

Austerity measures introduced a 10% wage cut for public sector workers earning more than 25,000 RSD. Women in Serbia's public sector are more likely to receive wages which are 25,000 RSD and lower, while men more frequently earn between 25,000 RSD and 35,000 RSD. A reduction in the public sector pay gap (5.5% before the measures) was thus expected.

A team of local researchers identified two potential consequences of the wage reduction introduced in 2014:

- Workers may move away from the public sector (e.g. to the private sector, unemployment, or inactivity.)
- Compliance with the austerity measures may vary across the public sector and produce ambiguous effects on the national gender wage gap.



The analysis

The research team set out to analyse how the wage cut would affect men and women differently in terms of their wages and transitions away from the public sector.

To do so, the team analyzed the Labour Force Survey (LFS) data for 2014 (before fiscal consolidation) and 2015 (following fiscal consolidation). The LFS is conducted quarterly by the Republic Statistical Office of Serbia and provides nationally and regionally representative data on the labour market in Serbia.

Key findings

The team's analysis shows that:

There was a slight wage gap increase due to varying levels of compliance with the reform between the government sub-sectors.

- The state sector (public administration, health, education, social protection), which is female-dominated, fully complied with the reform, but that was not the case in state-owned enterprises where men are the majority of employees.

The wage cut pushed younger women and women close to retirement age from the public sector to unemployment or inactivity.

- No such effects are observed for men.
- Most of the young women (up to 30 years of age) move to unemployment.
- Most elderly women (close to retirement age) move to inactivity.

Women with children may choose to stay in the public sector despite lower wages.

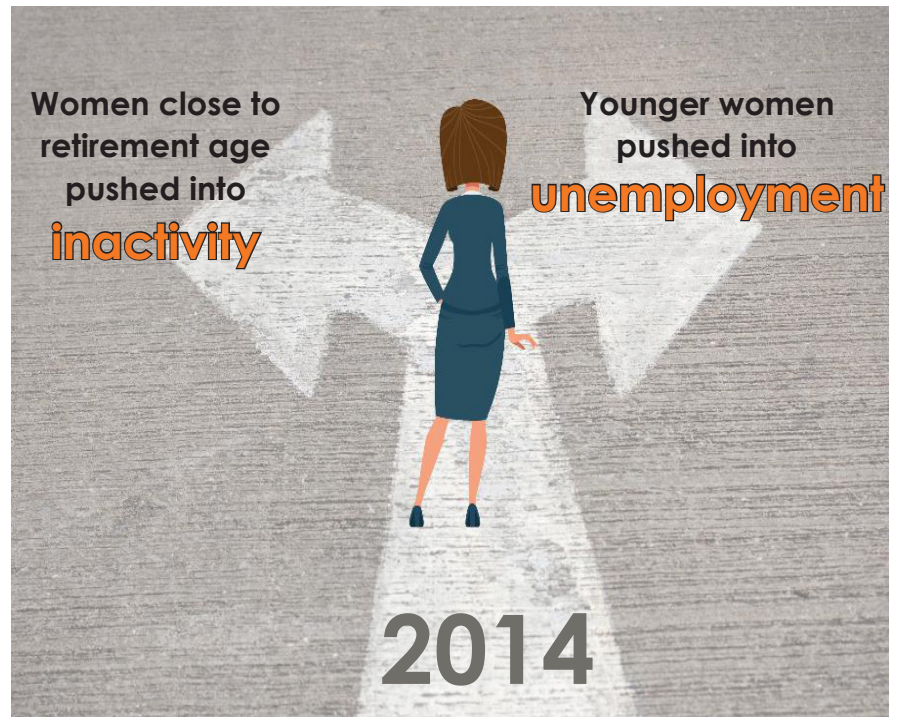
Neither men nor women were found to transfer to the private sector due to the wages cuts.

This brief summarizes outcomes from **PMMA-20000** supported under the **PAGE II initiative (2016-2020)**. To find out more about the research methods and findings, read the full paper, published as part of the **PEP working paper series**.

PAGE II is a global research and capacity-building initiative for Policy Analysis on Growth and Employment in developing countries. PAGE II is supported by the Department for International Development (DfID) of the United Kingdom (or UK Aid) and the International Development Research Centre (IDRC) of Canada.

The views and opinions expressed in this publication are those of the authors and do not necessarily reflect those of PEP.

Effects of Serbia's austerity measures on women in the public sector



Conclusions

Given that a higher share of women in the public sector earn wages below 25,000 RSD, the reform should have reduced the gender wage gap.

However, **the wage gap increased due to lower levels of compliance with the reform in the state-owned enterprises, dominated by men** (compared to the state sector, where the majority of workers are women).

This outcome is an unintended consequence as measures were implemented without a carefully designed plan to be gender neutral. There was also lack of monitoring of the implementation of public policies.

Policy messages

Despite political rhetoric about gender rights and efforts by policy makers to improve the position of women in the labour market in Serbia, gender-sensitive analysis is not currently conducted before the implementation of new policy measures.

As shown in this research project, implementing policies without gender-sensitive analysis can exacerbate gender inequalities. It is, therefore, **necessary to develop and adopt systematic formal procedures to evaluate and monitor the distributive impact of any future reform measures.**

Implementing monitoring systems alongside policy interventions would also allow authorities to identify problems with compliance.

Poor management of public enterprises and a lack of state oversight are persistent problems. The findings from this project offer additional evidence that serious reforms are needed in these areas.