



## The female labour force in an urban economy during transition: A view from the City of Nis



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### ABSTRACT

The aim of this paper is to analyse labour force quality and wage issues in the third largest city in Serbia in the post-socialist period. The paper examines the differences in wages and labour force quality, looking at the gap created as a result of differences in the amount of earnings and employers' perception of labour force quality. The findings show that there are no significant differences in the level of wages, but that there is a significant difference in the labour force quality according to the employers' test results. The research reveals a positive correlation between the share of female employees and employers' perception of the labour force quality, whereby an increase of 1% in the female share has resulted in an increase in the employment quality rate by 0.439.

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### Introduction

The engagement of women in economic activity is increasing every day. Nowadays, they play a significant role in the world economy and thus contribute to sustainable economic growth. Women constitute 40% of the workforce in the world, and their active engagement in productive work contributes not only to faster economic growth but also to its long-term sustainability.

According to Postic, Djurkovic, and Hodzic (2006), gender is an individual design of identity or expression that confirms or denies socially formed and assigned gender roles of men and women, which by definition determine the social roles of men and women. Gender equality does not deny the existence of gender differences, but promotes equal participation of women and men in society, and implies that all human beings are free to develop their personal abilities and make choices without the limitations imposed by strict gender roles (One hundred words for equality, 1998). The perception of equality is important from different points of view, such as recruiting, payment, training and promotion and rewarding (Jepsen & Rodwell, 2012).

The phenomenon of gender inequality has been explained by different authors in different ways. The Nobel Prize winner, Becker (1957), formulated the theory of labour market discrimination, where the level of discrimination is determined by a discrimination coefficient. A discrimination coefficient is a measure of the degree to which the employer is willing to lose or achieve a smaller income, in order to avoid interacting with individuals who belong to a particular group (gender). A similar explanation of gender discrimination in terms of preferences has been given by Blau and Ferber (1992), and Baldwin, Butler, and Johnson (2001).

Another group of authors, among whom is Robinson (1933), look at discrimination as the result of a non-competitive labour market. The assumption is that men and women are equally productive and are therefore perfect substitutes. However, due to the assumption about the elasticity of the supply of male and female workers, the salary offered to men is higher than the salary offered to women. Burdett and Mortensen (1998), Manning (2003) and Ransom and Oaxaca (2005) have come to similar conclusions.

Arrow (1972) sees the discrimination as a phenomenon related to statistical discrimination or profiling. It implies that individuals are evaluated according to the demographic characteristics of the group to which they belong, and not on their personal abilities. The increased risk associated with the distribution of female productivity contributes to their earnings being lower than men's. The fundamental principles underpinning Arrow's (1971) and Phelps' (1972) theory were later confirmed by their investigations, as well as by subsequent analysis carried out by Aigner and Cain (1977) and Dickinson and Oaxaca (2006).

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Looking at official International Labour Office data on women's participation in the labour market between 1980 and 2008, it is clear that the rate of female labour force participation increased from 50.2% to 51.7%, while the rate of male labour force participation declined from 82.0% to 77.7% (International Labour Office, 2009a). Abramo and Valenzuela (2005) examined the progress achieved in the rates of female labour force participation, and the continuing gap between men and women in terms of access to quality jobs, unemployment, financial and non-financial compensation and social protection. The results show that inequality still exists, although in some segments there are visible improvements. Losa and Origoni (2005) discuss the issue of the socio-cultural dimensions of women's choices (in terms of preferences for work engagement and daily working hours) in order to identify the problem which causes the gap in gender participation in the labour market. As a result of their socio-cultural choices, there is a decrease in women's productivity in the market with an increase in volume of work they do at home. As women are traditionally (and in most instances invariably) responsible for household jobs, a significantly larger amount of household jobs remain in the domain of women, regardless of whether they are employed or not (Rogers & Amato, 2000).

Promoting equal opportunities for women and men is an area of social policy that has received much attention in recent years. Regulatory rules in this area were originally designed to ensure the equal rights of individuals. However, deficiencies in regulations are observed when attention is paid to certain aspects of gender inequality in the labour market (Atkinson, 2000). One of the most important and easily verifiable aspects of gender inequality is the difference in salaries between men and women. This difference is the result of a complex combination of factors. Relevant factors that determine the difference in salaries between the genders are emphasized: age, family situation and number of children, level of education, career breaks, job security, type of contract, working hours, the sector in which they work (public or private sector), occupation, firm size, etc. (Atkinson, 2007). Gender differences also appear when the type of employment is observed. In the case of self-employment, women are less represented than men: among the 17% of those who have declared themselves as entrepreneurs, or self-employed, only about one-third are women (Goudswaard & Andries, 2002; Huijgen, 2000; Paoli & Merllié, 2001).

Consequently, the aim of this paper is to provide the first analysis of gender issues at an urban level during the transition period in the Serbian economy. Although the gender issue is increasingly present in the public domain and the state recognizes its importance, so far there has not been any academic research on the female labour force at the urban level. The structure of this paper consists of two parts along with the introduction and conclusion. In the first part, the methodology and data are explained, and in the second, the findings are presented.

### The position of the female labour force in the Serbian economy

Although it has been more than 20 years in the process of transitional change from a socialist system, the Serbian economy is still characterized as "transitional". Unfortunately, this prolonged transition period has not been evaluated as favourable by EBRD, since the reforms of enterprises for the period 2003–2007, made an insufficient improvement from 2 to 2.3 points (EBRD, 2010). As stated in the research results of some authors (Kikeri & Kolo, 2005) who deal with transition and post-transition issues, privatization dropped off after 1997. However, this has not been the case for Serbia. Due to certain disturbances, the transition period in Serbia has been interrupted several times, which has led to the fact that it is still in process. For this reason, one of the Serbian government's

priorities in the 21st century, is privatization or, to be more precise, the ending of the privatization process. The negative consequences of long-term transition are reflected in low rates of economic growth and high unemployment rates. Certain similarities with some other developing countries which have been through transition period may be noticed, and used with the aim of successfully completing the transition process in Serbia.

In an analysis of the current status of the female labour force within Serbian economy, it is necessary to consider the period of socialism, when Serbia was constituent part of the former Socialist Federal Republic of Yugoslavia. Female participation in paid work was favourable during the self-management of Yugoslavia. In the period from 1953 to 1971 female labour market participation in the 20–34 age group increased from 50.8% to 54.6%, while for the 35–49 age group this increase was even higher, i.e. from 34.9% to 60.2% (Petrin & Humphries, 1980). Furthermore, in the same period, an increase in the percentage of women with secondary and higher education reduced the education gap in comparison to male workers. Unlike during the period of socialism, most of the female labour force in recent years has been faced with the heavy and negative consequences of the transition period. According to the official statistics of the World Bank, the development of the Serbian labour market in the transition period has been unfavourable and the employment rates for both women and men have decreased drastically (World Bank, 2004). However this decrease has affected the female labour force to a much higher degree than the male.

There are a number of scientific studies which examine the position of the female labour force in transition economies (Adamchik & Bedi, 2000; Falaris, 2004; Fonseka, Wang, & Manzoor, 2013; Newell & Reilly, 2001; Orazem & Vodopivec, 1997) and a few in particular have focused on the Serbian labour market (Kecmanovic & Barrett, 2011; Krstic, Litchfield, & Reilly, 2007; Krstic & Reilly, 2000; Lokshin & Jovanovic, 2003; Ognjenovic, 2009). Though it may not be said that it is negligible, the pay gap between men and women in transitional countries is smaller compared to in developed countries. This means that the relative pay position of women has not deteriorated. In contrast to this, for example, in East Germany, the pay gap between women and men has decreased. One of the reasons for over 40% of the rise in women's wages has been the withdrawal of poorly qualified women from employment (Newell & Reilly, 2001). As far as Serbia is concerned, it has to be noticed that the female participation rates were continuously decreasing and they stood at below 60% by the end of 1990s (Krstic & Reilly, 2000), indicating that the participation of women in this period was below the level reached in the 70s. The male participation rate also decreased, but it stood at a much higher level – over 70%. This trend suggests that the female participation in the labour market in Serbia during the last two decades has followed quite a similar pattern to other Central and Eastern European or former Soviet Union countries (Brainerd, 2000). Considering the fact that market liberalization is one of the characteristics of countries in transition, it may be said that those countries face less wage discrimination than they did while their economies were more closed (Brainerd, 2000).

The position of the female labour force in Serbia will be analysed through (1) the number of employees and the percentage of women among employees, (2) average wages and (3) educational structure. Also, due to the significant regional differences in Serbia, all these data will be presented in regions. Regions are defined as administrative units under the Law on Regional Development (Assembly of the Republic of Serbia, 2009), according to which the territory of Serbia is divided into five statistical regions. Because the data for Kosovo and Metohija are not available, further analysis includes four administrative units.

A tendency that may be noticed in Table 1 is that in most of the observed regions the total number of employees is decreasing,

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