

ECONOMIC EFFECTS OF THE LOWER PARTICIPATION OF WOMEN AT THE LABOR MARKET ¹

EXECUTIVE SUMMARY

1. WHAT IS THE PURPOSE OF THIS STUDY?

Women's employment rate in Serbia is 13.5 percentage points lower than men's. A lower participation of women in the labor market represents not only a loss for them personally, but also a loss for the society at large. At the individual level, employment is not only important for achieving material security but it also provides a better quality of life due to psychological benefits such as a sense of belonging, identity, autonomy, self-esteem and social status. For the society, a lower level of women's employment leads to a loss in public revenues due to unpaid labor taxes. Also, the salaries that an unemployed woman misses to earn, represent also a loss for the economy as some companies could have made profit from selling products or services to that women if she was employed. The state budget will lose additional revenues that could have been collected through taxes (e.g. value added tax). At the same time, public expenditures are higher because the women out of work are entitled to unemployment benefits, financial social assistance and other forms of assistance from the budget.

This study aims to provide an estimate of total economic losses resulting from a low rate of women's employment. This is the first time that this estimation has been carried out and thus its findings are important for planning of more efficient public policies aiming at promotion of gender equality. The methodology, developed by the Eurofound² was applied on data from the Survey on Income and Living Conditions (SILC) for Serbia. According to the SILC survey, the female working-age population of about 2.1 million women, consists of 58.1% active (44.3% employed and 13.8% unemployed), and 41.9% inactive women.

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- 2 Eurofound (2012), NEETs – Young people not in employment, education or training: Characteristics, costs and policy responses in Europe, Publications Office of the European Union, Luxembourg.

2. HOW MUCH WE LOSE WHEN FEMALE EMPLOYMENT LAGS BEHIND MALE EMPLOYMENT?

We analyzed two types of costs:

1. direct costs for public finances - these are potential savings in social transfers if women work;
2. indirect costs - lost wages as well as the associated taxes and contributions that would have been paid into the state budget if more women join the labour force.

In the structure of costs resulting from low participation of women in the workforce, the largest share represents lost wages and associated taxes and contributions. They make up almost 95% of the total costs while the other 5% are social benefits in the form of child allowance, financial social assistance, unemployment benefits, and disability benefits. On an annual level this is a rather large amount of 86 million euros in family and individual social benefits provided to the unemployed women. We also find that expenditures for social transfers are higher for women with a low level of education than for those with a high school and university degree.

In general, the total cost resulting from the employment gap between women and men, i.e. the fact that women are less involved in the labor market than men, is estimated at 1.8 billion euros or almost 4.8% of gross domestic product (GDP). In other words, if the employment rate of women is equal to the employment rate of men, i.e. if the gender gap in employment is closed, the benefit for the society would be 1.8 billion euros. In order to present this amount more precisely, we can say that it is equal to a one and a half of the state budget for education.

In order for Serbia to completely close the gender gap in employment, a total of 294,360 women needs to join the labor market. This would lead to an increase in Serbia's GDP of 4.8%.

Total costs of closing the employment gap between women and men (in millions)

Educational attainment	Ages	Number of women needed to close the gender employment gap	Total costs	Individual social benefits	Family social benefits	Indirect costs
Primary	20/34	13,286	8,711	136	889	7,686
	35/49	34,123	24,277	257	1,327	22,692
	50/64	50,787	34,986	584	1,269	33,133
Secondary	20/34	52,783	38,771	113	1,706	36,951
	35/49	62,412	51,523	181	1,136	50,206
	50/64	68,081	51,734	1,609	854	49,272
Tertiary	20/34	0	0	0	0	0
	35/49	7,691	9,713	0	50	9,663
	50/64	5,198	7,206	241	36	6,928
Total number of women		294,360				
Total (RSD)			226,921	3,122	7,267	216,532
Total (€)			1,870	26	60	1,785

In the case of a somewhat more realistic scenario, in which there is no closing of the gap, but only a narrowing of the gender gap in employment by activation of those inactive women who are ready to start working, the total costs amount to 1.6 billion euros or 4.1% of GDP.

3. WHICH FACTORS DETERMINE ACTIVITY OF WOMEN?

Our results show that there are several factors that affect the activity of women in Serbia:

- ▶ As women get older the likelihood of their activity decreases
- ▶ Education has a positive effect on activity because women with a higher level of education are more likely to be active in the labor market
- ▶ In terms of marital status, married women are less likely to become active in the labor market than non-married women. Also, if the partner is employed, it increases the probability that the woman will be active as well
- ▶ The presence of children in the family, especially young children, reduces the likelihood of activity. However, single mothers are more willing to enter the labor market than women from two-parent families.
- ▶ The presence of older household members (over 70 years of age) does not significantly affect the activity of women
- ▶ **Vulnerability factors** - the results show that low qualifications and a small number of years of working experience, chronic illness or disability, living in the regions of Western, Central, Eastern and Southern Serbia, especially in rural areas, reduce the chances of women's employment. Also, poor women are less active in the labor market as a result of the simultaneous existence of multiple vulnerability factors.

4. RECOMMENDATIONS FOR PUBLIC POLICIES

Education policies should support the trend of increasing educational level of women, bearing in mind the positive impact of higher education on the activation of women in the labor market. Women in Serbia with a university degree are more likely to participate in the labor market in comparison to other European countries (except Eastern Europe where we also find a similar result as in Serbia).

Western and Central Serbia should be in the focus of policy makers in order to direct investments primarily to those parts of the country and increase overall employment. Regionally, the largest gender employment gap is in the region of Western and Central Serbia, where men have a 16.6 percentage points higher employment rate than women.

An evaluation of active labor market programs should be conducted with a gender perspective in mind. There is still no evaluation of a program where the focus was on women, so we do not know which of the active labor market programs gives better results in terms of their higher employability. This would be an important input for the National Employment Service in their work with women, especially in the branches located in the regions of Serbia where there is a more pronounced gender gap in employment.

It is important to analyze the obstacles for higher employment of women in rural areas. If we look at the division into rural and urban parts of the country, the gender employment gap in rural areas is 21 percentage points while in urban areas it is only 9 percentage points.

It is necessary to continue with the efforts to further improve the position of persons with disabilities and to remove systemic barriers to their inclusion in the labor market.

New research should shed light on vulnerability factors that contribute to the extremely low employment rate of poor women. The employment rate of poor women is only 20%. This may be due to the simultaneous contribution of several vulnerability factors: lower education, living in certain regions of the country or in rural areas.

It is necessary to increase the number and accessibility of childcare services because it is the best way for more significant inclusion of women in the labor market. This analysis shows that the activation of women is significantly influenced by the age of the children. The gender gap in employment is as high as 25 percentage points when the youngest child is under 3 years of age, which may suggest that babysitting services are unavailable or unaffordable.

At the beginning of next year, a research should be conducted in order to estimate the number of women who stopped working due to greater obligations at home and childcare during the COVID-19 pandemic. The epidemic further brought to the fore the topic of balance between family and private life. Transferring work responsibilities to the home complicates the situation, especially for women, given that they bear most of the burden of childcare and household chores.

New research is needed on the position of Roma women in the labor market. The employment rate of Roma women is only 12%. This analysis was based on the latest available data that included the category of nationality as a survey question, and that was the 2016 Labor Force Survey. In this regard, in order to better shed light on the factors that prevent the Roma population from becoming more active in the labor market, it would be useful to conduct a new survey on this topic.

