

The Working Poor in Serbia, 2006-2022

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ABSTRACT: COVID-19 pandemic crisis enlarged „new“ poverty among the working class what is a far-reaching consequences of the processes of globalization and privatization, especially in the USA, Canada and Europe. During COVID-19 pandemic crisis a lot of the workers lost their jobs. Others faced decline of the wages due to downturn in the global economy.

„New“ poverty among the working class is particularly widespread in Eastern Europe as a result of privatization of state property and pauperization of the working class.

The main issue of our paper is to analyze a link between the policy of flexible labor market and phenomenon of „new“ poverty among the working class in Serbia. We explore the living standard of the working families in conditions of increased cost of living and the expansion of number of the workers that earn the minimum wage (400,000 persons, 20% of employees) in Serbia during COVID-19 pandemic crisis. We examine the value and the content of the minimum consumer goods basket and the amount of the minimum wage. The amount of the minimum price of labor per working hour in Serbia for 2022 has not been determined by the Social and Economic Council of the Republic of Serbia. The decision on the amount of the minimum price of labor has been made by the Government of the Republic of Serbia, as it used to in previous years. The minimum cost of labor for 2022 is only 89% of the value of the minimum consumer basket.

KEYWORDS: the working poor, the working poverty rate, Serbia

1. INTRODUCTION

On 20th February, on the occasion of the World Day of Social Justice, the International Labour Office's Director-General, Guy Ryder, stated that the international community cannot afford to miss the opportunity to shape the recovery from COVID-19 by providing as many people in the world as possible with greater economic and social justice. He emphasized that the COVID-19 crisis has exacerbated inequalities, both within and between countries. "Those who were disadvantaged before the pandemic have been worst affected - youth, women, informal and migrant workers, and small businesses."

According to Ryder, 60% of the labour force in the world lives in poverty (The Independence Trade Union Confederation, „Nezavisnost“, 2022).

Pursuant to the United Nation's (UN) data, the pandemic has caused a huge growth in inequality around the world. During the period between March and December 2020, the wealth of international billionaires increased by over US\$ 3.900 billion, while the number of people living in extreme poverty rose by at least 119 million people, which is the biggest annual rise in

poverty in the last two decades. It is estimated that as a result of the pandemic, in 2021 there were 75 million fewer jobs than before the crisis, while for this year the loss of 23 million full time jobs is predicted (The Independence Trade Union Confederation, „Nezavisnost“, 2022).

COVID-19 pandemic crisis enlarged „new“ poverty among the working class what is a far-reaching consequences of the processes of globalization and privatization, especially in USA, Canada and Europe. During COVID -19 pandemic crises a lot of workers lost their jobs. Others faced decline of wages due to downturn in the global economy.

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The main issue of our paper is to analyze a link between the policy of flexible labor market and phenomenon of „new“ poverty among working class in Serbia. We explore the living standard of the working families in condition of increased cost of living and the expansion of number of the workers that earn minimum wage (400.000 persons, 20% of employees) in Serbia during COVID -19 pandemic crisis. We examine the value and

the content of minimum consumer goods basket and the amount of minimum wage.

The main thesis of our paper is that the weakness of social power of the working class and trade unions in Serbia following the dissolution of the Socialist Federal Republic of Yugoslavia (SFRY) and privatization of socially owned property led to the extent of poverty among the working class. The main reason for the in-work poverty is the weakness of trade unions as social partner in the industrial relation system in Serbia.

2. LITERATURE OVERVIEW

The notion of the working poor and the working poverty rate

The working poor are working people whose incomes fall below a given poverty line due to low-income jobs and low familial household income. These are people who spent at least 27 weeks in a year working or looking for employment but remains under the poverty threshold (Sykes, 2015).

Many social scientists argue that the official measurements used do not provide a comprehensive overview of the number of working poor (Thiede, 2015).

According to the International Labor Organization's (ILO) study from April 2019, poverty could be defined in a variety of ways: in absolute term or relative terms, in monetary terms or taking into account non-monetary aspects, in the sense of a national poverty line or an international one.

The absolute international poverty line is standard on US\$1.90 per person per day at purchasing power parity (PPP). This means that individuals are considered poor if they live in a household with a daily per capita consumption or income of less than US\$ 1.90. In general terms, this is believed to be the monetary amount needed to cover the cost of basic food, clothing, and shelter around the world.

Absolute poverty lines such as this one determine poverty status with the relation to fixed income or consumption threshold (the amount deemed necessary to afford minimal standards of living), while relative poverty lines use a relative measure of income or consumption to classify persons as „poor“ or „non-poor“. That is, relative poverty line is 60 per cent of the median income.

When measured in absolute terms it is possible to eradicate poverty completely. However, by definition, there will always be relatively poverty.

In this sense, information on the characteristics of the population living in poverty is essential. In particular, data on their employment status (that is, whether they are employed, unemployed or outside the labor force) can provide valuable insights into the factors instigating poverty. In the case of employed persons living in poverty, also known as the working poor, it is likely that low earnings, and more generally inadequate working conditions, are to blame. Conversely, in the case of the unemployed or persons outside the labor force who

are poor, poverty may be driven by a lack of employment opportunities and insufficient social protection.

Data on employment broken down by economic class, and especially on the share of the employed that are poor (also known as the working poverty rate) conveys information on the link between employment and poverty, which is highly relevant for the formulation of effective policies. Employment should be a vector to lift people out of poverty, but this is only true if job quality is sufficient, including adequate earnings, job security and safe working environments. The relationship between employment and poverty depends greatly on the extent to which decent work is ensured in the labor market.

The working poverty rate reveals the proportion of the employed population living in poverty despite being employed, implying that their employment-related incomes are not sufficient to lift them and their families out of poverty and ensure decent living conditions.

According to the late ILO estimates, 79 per cent of all employed persons in the world did not live in poverty in 2018, while 13 per cent were moderately poor and 8 per cent were in extreme poverty (amounting to a global working poverty rate of 8 per cent). In the mentioned research on global employment distribution by economic class (2018), persons were defined as extremely poor if living in households with a per capita income under US\$ 1.90 PPP per day, moderately poor if the households daily per capita income is US\$ 1.90 PPP or higher but under US\$ 3.10 PPP and not poor if living on more than US\$ 3.10 PPP per day. In 2017 9.4% of EU workers lived in households that are at risk of poverty what 20, 5 million persons were.

This means that for a non-negligible share of the world's workers, having a job is not enough to keep them and their families out of poverty, pointing to issues of job quality and particularly, the inadequacy of earnings. The working poverty rate has been declining continuously since 2000, when it stood at 26 per cent.

Comparing working poverty rates and poverty rates, we can see that differences are not significant. In 2015, 10 per cent of the world's population was poor, while 9 per cent of the world's workers lived in poverty. The small difference between these indicators suggests that the employed are not significantly more or less likely to live in poor households vis-à-vis persons outside the labor market. This means that employment does not put individuals at a higher risk of poverty (ILOSTAT, 2019).

This study did not take in consideration flexibility of labor regulations as a source of the working poor in the situation of labor supplies. Nowadays many international economics organizations advise the governments of East European transition countries to adopt more flexible employment protection legislation (EPL) than the most developed EU countries have. According to this point of view, international experience shows that low and medium income countries need

more flexible EPL rules than those typically found in continental Western Europe.

3. RESEARCH

The poverty line and the working poverty rate in the Republic of Serbia, 2012-2021

The government of Serbia had been advised by the OECD in 2008 that its key policies objectives had been to foster greater flexibility in employment, a consistent and equitable application of labor law and a transparent job market. Flexibility of labor market had been seen as only way that overcomes a large labor supplies in Serbia and busts the restructuring of its economy in which many jobs are bound to disappear at the same time as new ones are created. It was argued that Serbia, in order to catch up economically, should aim to make its labor market more flexible than those of most EU countries. Serbia's GDP per capita was among the lowest in Europe.

This policy has been pursued since 2008, and particularly through current Labor law in Serbia.

Employment in Serbia declined every year from 2001 through 2006, followed by a small recovery in 2007. Over the period as whole, major employment reductions occurred in big enterprises and peasant farming, while net job creation was observed in small non-farm family businesses. The survey – based unemployment rate peaked at almost 22% in 2005 and 2006. But it fell to just under 19% by October 2007, reflecting the combination of economic recovery and a shrinking labor force.

The working –age population was set to decline further as a result of population ageing and net emigration. In 2008 Serbia still had large potential labor supplies because only about 50% of the working –age (15-64) population was employed. Moreover, a significant but declining part of employment concerned subsistence farming and other low-productive forms of self-employment, which often are informal.

The process of privatization has brought profound changes in the structure of Serbian's job market in 2008. Almost two-thirds of employment was in the private sector, where labor turnover was on average much higher than in the public sector, and average size of enterprises has declined significantly.

But in the same time the growth of employment in new small firms was anemic (OECD, 2008).

According to the Statistical Office of the Republic of Serbia's (RZS) statement from 31st August 2021, in the second quarter of 2021, there were 2,831.100 employed and 35,000 unemployed people in Serbia. The employment rate at that period stood at 48.3% and the unemployment rate 11.1%. According to the Labour Force Survey data for the second quarter of 2021, in comparison to the first quarter of 2021, the

number of employed people aged over 15 increased by 108,800, the number of unemployed by 47,400, and those out of the labour force by 73,200. Within the framework of total employment, informal employment more than doubled (77,600 workers) in comparison to formal employment (31,300 workers). The rise in employed people (65,900 workers) in the agriculture, hunting and forestry sectors made the greatest contribution to the growth of informal employment. The highest growth in employment was among those with secondary school education (5,200 workers) (Danas, 2021).

It is important to emphasize that in Eastern European transition economies the trade unions and collective bargaining and agreements have little impact outside the public sector and large firms. Because the unions are very weak and with small number of the members, employers in coordination with oligarchic state decides on wages and wages conditions. The labor laws in the vast majority of these countries permit such practice (Novakovic, Obradovic, 2021).

For instance, in Serbia only 25% of workers trust labour unions, while 56% believe that the major problem is inefficient social dialogue and the decline of collective bargaining (The Independence Trade Union Confederation, „Nezavisnost“, 2021).

In the Republic of Serbia the Survey on Income and Living Conditions (SILC) is based on standardized methodology for all European Countries and is conducted in annual periodicity by the Statistical Office of the Republic of Serbia (SORS). Starting from 1999 the Statistical Office of the Republic of Serbia (SORS) has not at disposal and may not provide available certain data relative to the Autonomic Province (AP) Kosovo and Metohia and therefore these data are not included in the coverage for the Republic of Serbia (total).

The Survey was for the first time conducted in 2013 and, according to poverty and social exclusion indicators, the at-risk-of poverty rate in 2012 amounted to 24,6% (persons under 18 are the most exposed to the poverty risk - 30%, and the lowest risk rate relates to persons aged 65 and over – 19,5%). The results of the interviews also showed that for 13, 6% of households, the work intensity is low (economically active persons from the interviewed households approximately worked between 20% and 40% of the hours that they potentially might work). The compiled data revealed that in somewhat more than two-thirds of households (67%), housing costs significantly burdened the budget. Referring to material conditions that influence the life quality of the households, about two-thirds (67.2%) of the household could not afford paying for one weak annual holiday away from home and that almost every fifth of the households (18.3%) could not keep its home adequately warm (Statistical Office of the Republic of Serbia, 2014).

Since 2006 poverty calculation in the Republic of Serbia has been based on the data of the Household Budget Survey, which has been conducted in accordance with international standards and recommendations of the European Statistical Agency, the International Labor Organization and the United Nations since 2003. The methodology for the calculation of absolute poverty indicators has been defined in cooperation with the World Bank.

Absolute poverty analysis is based on household consumption, since this aggregate is considered to be a more reliable measure of living standard than household income, owing to its characteristics such as its stability and comprehensiveness over a longer period of time. On the other hand, income is prone to short-term fluctuation and often underestimated, as households do not always provide accurate information on their income levels and sources.

The absolute poverty line is defined as consumption required satisfying the minimum, basic subsistence needs, and comprises two components: the food line or extreme poverty line, and other household expenditure, such as expenditure on clothing and footwear, housing, health care, education, transport, communication, recreation and culture etc. The absolute poverty line thus defined was calculated in 2006 and adjusted for inflation (measured by the consumer price index) for each subsequent year.

In line with the European Statistical Agency recommendation, the Classification of Individual Consumption by Purpose (COICOP) at the five-digit level, instead of four-digit level, has been in use since 2015.

The alignment of this Classification, used in the HBS, price statistics (PPP and HCPI) and national account (final household consumption) at the five-digit level has resulted in methodological changes in the HBS.

Since 2015 in line with the recommendation of the European Statistical Agency, the Statistical Office of the Republic of Serbia has applied the Classification of Individual Consumption by Purpose at the five-digit level, instead of four-digit level. These changes have affected the data from previous years; hence, the Statistical Office of the Republic of Serbia has also revised the data on personal consumption development in the period 2009 – 2014.

These methodological changes as of 2015, as well as the revision of data for the past years, have also affected the data on absolute poverty; therefore, the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia has developed publication *Poverty in the Republic of Serbia 2006 – 2016*, with view to providing methodologically consistent poverty data series for the period 2006 – 2016.

The publication was aimed at informing policy-makers, as well as the general public, about the development of poverty and inequality in the Republic of Serbia, to improve the understanding of poverty factors and to affect the improvement of the most vulnerable population's living standard more efficiently through social and overall economic policy measures.

Although the methodological changes and the revision carried out have led to data alterations, the key conclusion on the vulnerability level primary vulnerability factors and profile of the poor remain unchanged compared to the data before these changes took place. Population outside major cities, households headed by persons with no or low education, unemployed or inactive remain the most vulnerable. Multi-person households and households with children are especially vulnerable.

The change in the Classification level has led to changes in the questionnaire in 2015. The changes concern the questionnaire items on household cash expenditures on semi-durable goods, durable goods and services; instead of the four-digit level, these items now monitor the five-digit level of the COICOP and enable more detailed coverage of household expenditures; as a result, the data for 2015 were not comparable to those for 2014 (data for the groups food and not-alcoholic beverages and alcoholic beverages and tobacco were not affected by these changes). The methodological changes had also affected the data from previous years; hence, the Statistical Office of the Republic of Serbia (SORS) had revised the data on personal consumption development in the period 2009 – 2014.

This revision was principally aimed at enhancing data quality and obtaining comparable data by overcoming the impact of the said methodological changes.

The data revision was a result of the application of objectified statistical methods of data analysis and forecasting (regression analysis, linear trends), on the basis of which an expert assessment of consumption development by individual consumption groups and regions has been performed. The revised data on household's individual consumption had a direct bearing on poverty incidence, as well as other poverty indicators. (Mladenović, 2017).

In 2016, the poverty line stood at RSD 11,694 per equivalent adult per month, and 7.3% of the Republic of Serbia's population had consumption below this level. About half a million people were not able to meet the basic subsistence needs. Although, in absolute terms, the number of poor individuals recorded a slight decrease, due to Serbia's population decline, and to a lesser extent to a reduction in poverty incidence.

Table 1. Absolute poverty* in the Republic of Serbia, 2006-2016

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Poverty line, per equivalent adult per month, RSD	6,221	6,625	7,401	8,022	8,544	9,483	10,223	11,020	11,340	11,556	11,694
Poverty incidence %	8.8	8.3	6.1	6.6	7.6	6.6	6.3	7.4	7.6	7.4	7.3
Poor population	703,976	642,047	467,311	504,470	566,408	485,407	459,615	524,908	534,044	515,663	492,306
Population	7,985,174	7,777,425	7,702,918	7,613,208	7,456,107	7,343,047	7,303,771	7,096,115	7,064,646	6,927,866	6,755,343

*Absolute poverty entails the inability to meet the essential, minimum basic needs.

Whether a person is poor or not is established by comparing one’s consumption or consumption per equivalent adult with the absolute poverty line.

Basic living requirements are defined based on the food basket necessary for satisfying the minimum needs for a certain quantity and structure of calories (2,288 calories per day) and other expenditures.

Source: Biljana Mladenović, *Poverty in the Republic of Serbia 2006 – 2016. Revised and New Data*, Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia, Belgrade, August 2017, p.7

Compared to the research carried out to date, the latest methodological changes did not have a significant impact on the profile of the poor; thus, poverty remained primarily concentrated in non-urban areas, especially in the Southern and Eastern Serbia Region, among individuals living in households whose heads had no/low education, were unemployed and inactive. Poverty is more common in multi-person households and more pronounced among children and youth.

Poverty line sensitivity analysis indicates that the share of individuals with extremely low consumption (below 80% of the poverty line) decreased considerably, and that the proportion of the poor with consumption up to 95% of the poverty line was substantial.

Consumption inequality in the observed years exhibited a slight decrease, placing Serbia among countries with a relatively even consumption distribution, in global terms. The consumption of the richest 20% was about four times higher than that of the poorest 20%.

In 2016, social transfers (excluding pensions) reduced the absolute poverty incidence by 26.3%. Without social transfers, 9.9% of the population would have been poor.

The definition of social transfer in this publication is based on the *Household Budget Survey Questionnaire* (Statistical Office of the Republic of Serbia, 2017). The calculation of social transfers includes the following income components: (1) health insurance related benefits (sick pay and the like), (2) maternity and child-care leave, (3) social assistance allowances, and other social welfare benefits (financial social assistance, attendance allowance birth grant and the like), (4) income support benefits

for unemployed and temporary unemployed persons, (5) individual or survivor disability benefit and disability supplements, war-disabled civilians and war veterans, (6) receipts of alimony, maintenance, (7) child allowance, (8) students scholarships, compensations to students training in skilled trades, rewards and the like.

If pensions are included in social transfers, the impact of social transfers on poverty is even more significant. Without pensions and social transfers, in 2016, the consumption of approximately one third of the population would have fallen short of the level needed to meet the subsistence needs. If households would not have supplemented their consumption by goods produced for own use, 8.7% of the population, i.e. about 95 000 people more, would have been poor in 2016 (Mladenović, 2017).

According to World Bank data, in the period from 2012 to 2014 Serbia Poverty Rate (% under US \$5.50 per day) increased from 22.10% to 25.40%. But from 2015 it started to decline, from 23.80% to 19.30% in 2017 and became similar to North Macedonia Poverty Rate (19.50%), but much higher than Poverty Rate in Bulgaria (7.90%), Turkey (8.70%), Russia (3.80%), Belarus (0.80%), and Kazakhstan (6.50%). Armenia and Albania in 2017 had higher Poverty Rate than Serbia, 41.50% and 33.80% (*Serbia Poverty Rate 2012-2021*).

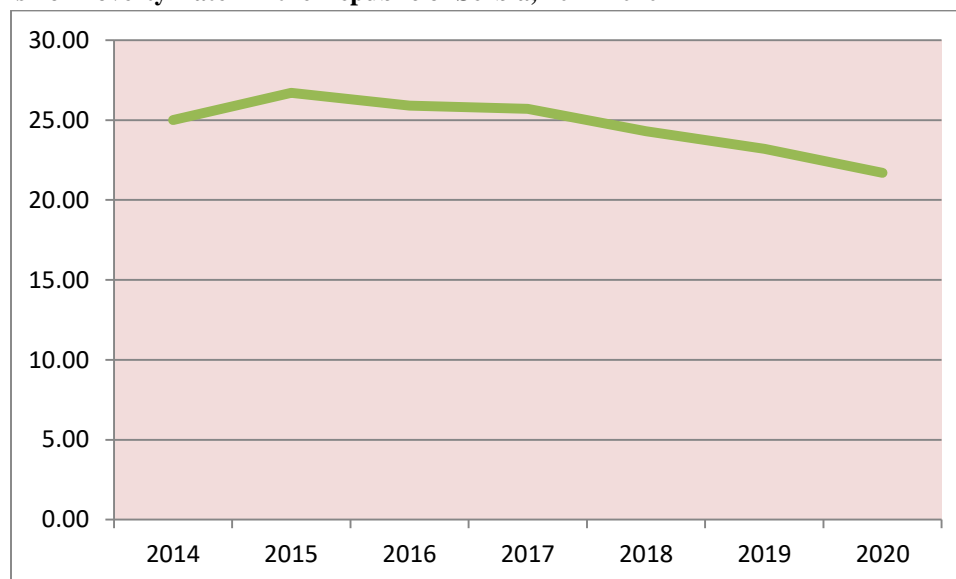
The Survey on Income and Living Conditions (SILC) is based on standardized methodology for all European Countries and is conducted in annual periodicity. In the Republic of Serbia, the Survey was for the first time conducted in 2013 and, according to poverty and social exclusion indicators, the at-risk-of-poverty rate in 2012 amounted to 24.6% (persons under 18 are

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the most exposed to the poverty risk- 30%, and the lowest risk rate related to persons aged 65 and over – 19.5%). The results of the interviews also showed that for 13.6% of households, the work intensity is low (economically active persons from the interviewed households approximately worked between 20% and 45% of the hours that they potentially might work). The compiled data revealed that in somewhat more than two thirds

of household (67%), housing costs significantly burdened the budget. Referring to material conditions that influence the life quality of the households, about two thirds (67.2%) of the households cannot afford paying for one week annual holiday away from home and that almost every fifth household (18.3%) cannot keep its home adequately warm.

Chart 1: Serbia At-risk-of-Poverty Rate* in the Republic of Serbia, 2014-2020



* The at-risk-of-poverty rate represents the percentage of those whose incomes are lower than the risk-of-poverty threshold, which in 2020 stood at RSD 22,000 per month for a one-person household. For households consisting of two adults and one child up to 14 years old, it was RSD 39,600, while the threshold for a four-person household with two adults and two children amounted to RSD 46,200.

Source: Republic of Serbia, Statistical Office of the Republic of Serbia, *Statistical Release*, “The Survey on Income and Living Conditions, Number 083 – Year LXV, 31/03/2015; “Poverty and Social Inequality in Republic of Serbia in 2015”, Number 084 – Year LXVI, 31/03/2016; “Poverty and Social Inequality in Republic of Serbia in 2016”, Number 087 – Year LXVII, 03/04/2017; “Poverty and Social Inequality, 2017”, 25.12.2018; “Poverty and Social Inequality, 2018”, Number 281 – Year LXIX, 15/10/2019; “Poverty and Social Inequality, 2019”, Number 283 – LXX, 15/10/2020; “Poverty and Social Inequality, 2020”, Number 282 – Year LXXI, 15/10/2021

The Republic of Serbia belongs to those countries with the greatest inequality in the distribution of income within the European framework, which is shown by the value of its Gini coefficient.

Table 2. Gini Coefficient* in the Republic of Serbia, 2013 – 2020

Indicator	Gini coefficient [%]								
	Period	2013	2014	2015	2016	2017	2018	2019	2020
Territory – NSTJ									
REPUBLIC OF SERBIA		38.0	38.3	40.0	39.8	37.7	35.6	33.3	33.3

*Gini coefficient measures inequality across the entire income/consumption distribution. It takes values from 0 to (or 100, depending on the notation used), where 0 indicates entirely equal distribution of income/consumption, while 1 or 100 denotes entirely unequal distribution of income/consumption.

Source: *The Survey on Income and Living Conditions*, Statistical Office of the Republic of Serbia, 11/24/2021, <https://data.stat.gov.rs/Home/Result/0120511?!Language Code=emus>

The working poverty line in Republic of Serbia in 2020 was in total 18.8%, for male, 19.7% and for female, 16.3%.

Table 3. At-risk-of-Poverty Rate by most Frequent Activity and Sex in the Republic of Serbia

Indicator	At-risk-of –poverty rate by most frequent activity and sex [%]		
	Territory – NSTJ	REPUBLIC OF SERBIA	
Period	2020		
Gender	Total	Male	Female
Activity status			
Employed persons	7.8	8.8	6.5
Employees	6.2	6.6	5.7
Employed persons except employees	18.8	19.7	16.3
Unemployed persons	46.7	52.5	40.9
Retired persons	19.4	17.7	20.7
Other inactive persons	32.6	28.0	34.2

Source: *The Survey on Income and Living Conditions*, Statistical Office of the Republic of Serbia, 11/24/2021, <https://data.stat.gov.rs/Home/Result/0120511?>

4. DISCUSSION

COVID-19 pandemic crisis and the amount of minimum wage and the content of minimum consumer goods basket

The amount of the minimum price of labor per working hour in Serbia for 2022 has not been determined by the Social and Economic Council of the Republic of Serbia. The decision on the amount of the minimum price of labor has been made by the Government of the Republic of Serbia, as it used to in previous years. The minimum cost of labor for 2022 is only 89% of the value of the minimum consumer basket.

The social impotence of labour unions and the almost complete paralysis of the work of the Social-Economic Council, which has failed to reach agreement regarding the minimum wage since 2018, has led to the situation where the Government of the Republic of Serbia, under the influence of employers, has established minimum wage lower than the minimum consumer basket. Whenever the state increases the minimum wage, the portion of non-taxable income also increases by the same amount, this year by around 10%, and therefore the burden of the minimum wage increase is always shouldered by the working class as a whole, instead of by the government and employers.

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The decision on the minimum wage for the period January – December 2022 set the net minimum wage (i.e. without the mandatory social insurance contributions) for the period January – December 2021 at RSD 201.22 (net) per hour („Sl. Glasnik RS“, The Official Gazette of the RS, 2021). Accordingly, the net minimum wage for 2022 amounts to RSD 37,024.48 (310 Euros) per month of 184 working hours. The gross minimum wage from 1st January 2022 (harmonised with the new tax exemption of RSD 19,300 and the 0.5% drop in the tax rate for the Pensions and Disability Insurance Fund borne by the employer), amounts to 50,063.45 per month of 184 working hours.

The minimum wage for 2022 was increased by 9.4% as in 2021 it totalled RSD 183.93 (net) per hour („Sl. Glasnik RS“, The Official Gazette of the RS, 2020). However, because of the increase in the non taxable portion of the income, from RSD 18,300 in 2021 to RSD 19,300 and the 0.5% decrease in the taxes for the Pension and Disability Insurance Fund borne by the employer (from 11.5% to 11%, i.e. in total from 25.5% to 25%) („Sl. Glasnik RS“, The Official Gazette of the RS, 2022), the entire burden of the minimum wage increase was transferred from the employer and the state to the working class in Serbia. According to the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia’s report on the population’s purchasing power, published in February 2022, the average consumer basket for November 2021 amounted to RSD 79,865.34 and the minimum for the same month was RSD 41,239.43. The average consumer basket for January 2021 amounted to RSD 74,470.15 and the minimum RSD 38,141.32 (N1, 2022).

At the beginning of 2021 the minimum wage in Serbia (33, 843.12 dinars, 280 Euros) was far lower than the minimum

wage in Eastern European countries: Bulgaria 332, Hungary 442, Romania 458, Latvia 500, Croatia 563, the Czech Republic 579, Estonia 584, Poland 614, Slovakia 623, Lithuania 642, Greece 758, and Slovenia 1,024 Euros. (N1, 2021).

According to the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia's report, the minimum consumer basket for May 2021 amounted to RSD 39,278.58. At the same time, the minimum wage in that month was RSD 30,900.24, while the average income stood at RSD 65,025, twice as high as the minimum wage.

According to the data pertaining to the minimum consumer basket, a three-member household spends RSD 17,569 on food and non-alcoholic drinks monthly, thus the share of personal consumption expenditure on food and drink amounts to around 34%. The remaining RSD 39,278.58 is spent on bills RSD 7,713, alcohol drinks and cigarettes 3,269.8, clothing and footwear RSD 1,160, health RSD 1,468, transport RSD 2,206, communications RSD 990 (which includes bills for mobile phones), recreation and culture RSD 1,503, hotels and restaurants RSD 290 and for education RSD 127 (N1, 2021).

From the accessible data it may be concluded that not only does the minimum wage in Serbia not cover the costs of the minimum consumer basket, but that such costs grow at a much faster rate than the growth of the minimum wage.

The COVID-19 pandemic crisis has had a direct influence on the establishment of the minimum wage by the Government of the Republic of Serbia on the level below the minimum consumer basket. Namely, in 2020 the unemployment rate in Serbia grew from 9.7% in 2019 to 10.7%. The cause of this increase in unemployment and the population outside the labour force were the changes resulting from the COVID-19 pandemic crisis in 2020. According to the International Labour Organisation's definition, those workers who were unable to seek a job or were not able to start working because of the measures to counteract the spread of the virus, were not considered as unemployed, but were classified as part of the population outside the labour force.

'Persons outside the labour force' were introduced as a new category, in addition to employed and unemployed persons, within the framework of the new methodology which was implemented in the *Labour Force Survey 2021* carried out by the Statistical Office of the Republic of Serbia (paragraph 3). This change of methodology had the greatest impact on the employment of the 60 and older group, where over 70,000 employees (according to the old definition of employment) were transferred to the outside the labour force category (according to the new methodology). Hence, according to the new methodology, in Serbia in 2020 there were 2,801,800 employed persons, 335,200 unemployed persons and 2,745,700 persons outside the labour force (*Labour Force Survey 2021 New Methodology*, 2021). It can be seen that the number

of persons outside the labour force is almost identical to the number of employed.

The implementation of this new methodology in the registration of employed and unemployed workers in Serbia, which served to introduce the population outside the labour force category, enabled the Statistical Office of the Republic of Serbia to establish the unemployment rate for the fourth quarter of 2021 at 9.8%, which is obviously lower than the real percentage (*Labour Force Survey*, 2022).

According to the United Nations Committee for Economic, Social and Cultural Rights, insufficient budgetary spending in the field of social protection in Serbia led to inefficiencies in the social security insurance system in terms of poverty reduction. This committee expressed its concerns that the minimum wage in Serbia does not cover the costs of the minimum consumer basket and recommended that the state increase the level of the minimum wage and harmonise it with living expenses (The Independence Trade Union Confederation, 2022).

5. CONCLUSION

The power of workers in Serbia, both those employed and those without work had been decreased following the accelerated privatization process. According to all indicators of poverty (absolute, relative, subjective, the misery index, social exclusive), Serbia is at the top of the poverty list in Europe, and worldwide. This creates further difficulties for Serbia's economic recovery and the poverty-stricken workers to defend their interests in any way through solidarity and organization.

The working poor phenomenon encompasses approximately 20% of employees in Serbia today. In addition, a large number of workers are employed informally, a number which has been constantly growing during the COVID-19 pandemic. The rise in informal employment is twice as high as that of formal employment. Therefore we can assume that the working poverty rate is significantly higher than the official data shows. The COVID-19 pandemic crisis has had a direct impact on increasing the working poverty rate in Serbia through the growth of unemployment and the number of people outside the labour force, which in turn enabled the Serbian Government to establish the minimum wage at a significantly lower level than the costs of the minimum consumer basket. This has hassled over 400,000 workers in Serbia into poverty.

The value of the at-risk-of-poverty rate in the Republic of Serbia is similar to the working poverty rate, around 20%, which indicates a situation of endemic poverty.

On the other side, the European Statistical Agency's data shows that workers in Serbia work the longest hours in Europe, considering that they spend an average of 43.5 hours at work per week. However, the minimum wage in Serbia is significantly lower than the minimum wage in Eastern Europe countries.

The “new” poverty among the working class in Serbia is undoubtedly the consequence of the weakened social power of the working class following the disintegration of the Socialist Federal Republic of Yugoslavia (SFRY) and the privatisation of public property. That brought about the impotence of labour unions as the social partners of employees and the state in society and the acute problem of inefficient social dialogue and the decline of collective bargaining.

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