SOCI-ECONOMIC RESPONSE TO CORONAVIRUS CHALLENGES

Comparative study of Serbia and the selected European countries

Nataša Stanojević
Slobodan Kotlica

Abstract: The strong negative socio-economic implications of the COVID-19 pandemic have spurred governments around the world into interventionism, which goes far beyond its response to the World Financial Crisis (WFC) in the past decade. The interventions of the Serbian government in this area are primarily analysed, but the measures of other European countries are also comparatively researched, as illustrations of different approaches to responding to the pandemic. The aim of the research is to determine the appropriateness of the socio-economic measures in Serbia. In this context, the research question is: Are the implemented socio-economic measures appropriate and sufficient to protect the domestic economy and to maintain the necessary level of supply and demand? The methods used in the research are descriptive statistics, classification and comparison. Socio-economic measures are divided into three groups. The first one comprises support to employment, the second includes direct support to households, and the third deals with the coverage of the socio-economic measures, distinguishing measures according to whether they apply only to the formal sector or both the formal and the informal sectors. The effects of the Serbian government’s measures will be

---

1 The paper presents the findings of a study developed as a part of the research project “Serbia and Challenges in International Relations in 2021”, financed by the Ministry of Education, Science, and Technological Development of the Republic of Serbia, and conducted by the Institute of International Politics and Economics, Belgrade.

2 Institute of International Politics and Economics, Makedonska 25, Belgrade, Serbia, natasa.stanojevic@diplomacy.bg.ac.rs.

3 Faculty of business and law, University MB, Prote Mateje 21, Belgrade, Serbia, kotlica@gmail.com.
assessed by: a) analysing the success of the fight against unemployment, indicated by the rates of formal and informal employment, b) data on the number of closed SMEs, c) assessing the impact on the revenues of the surveyed population by the World Bank, d) the results of the survey of state aid beneficiaries, by CEVES and the Government of the Republic of Serbia.

Keywords: socio-economic policies, COVID-19, unemployment, income support, debt relief.

INTRODUCTION

The COVID-19 pandemic and the subsequent lockdown imposed to prevent the spread of the infection had strong socio-economic consequences worldwide. Prohibitions on movement and work caused the halt of economic activity in many sectors and its disruption in others. International trade, as one of the key drivers of the economies of Southeast Europe in recent times (Antonis et al., 2003, Christie, 2004; Pjerotić, 2008; Kotlica, Stanojevic, 2018), has also been reduced, and occasionally completely discontinued, due to border closures. This is accompanied by losses of certain benefits of an open economy, i.e., a regular inflow of investments from foreign-owned companies, which, despite numerous weaknesses, are a key segment of the Serbian economy, as well as most transition economies (Estrin, Uvalić, 2013; Stanojevic, Kotlica, 2015).

This initiated strong defence mechanisms of companies as adjustment measures to the reduction of business volume: change of working hours, reduction of working hours, forced vacation, unpaid vacation and final dismissal or even forced closure.

In contrast to the previous crisis of 2008, which was usually accompanied by theoretical disputes pro and against state interventionism, during the 2020 pandemic, economists and governments agreed that government action was necessary in order to save the economy. Measures that would have seemed inconceivable prior to the pandemic have become standard around the world as governments try to prevent the economic recession from turning into a catastrophic depression.

Instead of the previously dominant policy of rescuing large companies during the pandemic, the recommendation of leading economists and world organizations was to introduce measures in the socio-economic sphere. Following the theoretical recommendations given in the first chapter, the focus of this paper is on the interventions of the selected governments only in the socio-economic sphere.

The interventions of the Serbian government in this area are primarily analysed, but the measures of other European countries are also comparatively researched as the illustrations of different approaches to the COVID-19 pandemic. The European countries used as examples of specific policies have not been defined in
advance but are selected because of their specific implemented measures for each group of socio-economic government interventions.

The aim of the research is to determine the appropriateness of socio-economic measures in Serbia and to compare them with the policies of other European countries. The analysis of the implemented measures and the achieved results of other European governments serves as a reference point for what the Serbian government could have possibly done better and/or what mistakes it has avoided. In this context, the research question is: Are the implemented socio-economic measures appropriate and sufficient to protect the domestic economy and to maintain the necessary level of supply and demand?

The methods used are descriptive statistics, classification and comparison, and they are part of the second chapter. The appropriateness assessment of the government interventions is based on the statistical description of the effects of these measures in Serbia and the selected countries. The effects are assessed: a) by analysing the success of the fight against unemployment, indicated by the rates of formal and informal employment, b) by data on the number of closed SMEs, c) by assessing the impact on the revenues of the surveyed population by the World Bank, d) the results of the survey of state aid beneficiaries, by CEVES and the Government of the Republic of Serbia.

Socio-economic measures are divided into three groups depicted in chapters 3-5 of the paper. The third chapter explores support for employment. Basically, this is support for domestic supply. Wage subsidy programs aim not only to support workers’ incomes but also to maintain links between employers and employees. The second and third groups of measures have the purpose of supporting domestic demand. The fourth chapter indicates how much of the workforce, thus indirectly the company and society, is covered by the government measures for keeping people employed. This section examines whether the implemented government measures cover only the formal or both the formal and informal employment sectors and whether they include particularly vulnerable groups of the population. The fifth chapter is Direct support to households, which can take two forms: cash payment and debt relief for households.

THEORETICAL CONCEPTS

When governments decide to intervene in the economy, given the limited resources, they are faced with many choices, such as who needs help and whether it is more important to save companies or individuals, large or small companies, what is the optimal scope of that support, etc. During any crisis, these issues lead
to divisions among theorists, as well as between theoretical concepts and government intentions. The 2020 pandemic is very different in that respect.

In June 2020, the Washington Centre for Equitable Growth released the *Statement to Congress Supporting Additional Economic Relief* (2020), signed by more than 150 of the world’s leading scholars. Former Federal Reserve Chairs Ben Bernanke was the first to sign, and the list includes “two former chairs of the Federal Reserve, four former chairs of the Council of Economic Advisers, and two Nobel laureates, among others” (Statement, 2020). These scholars pointed to the key importance of government action in the socio-economic sphere in order to save the economy instead of the dominant policy of rescuing large companies. They favoured solidarity instead of competition and social welfare instead of economic growth. The signers underscored the need for “continued support for the unemployed, new assistance to states and localities, investments in programs that preserve the employer-employee relationship, and additional aid to stabilize aggregate demand.” The signatories pointed out the consequences of insufficient intervention during the WFC: “Insufficiently bold congressional policy responses to the Great Recession unnecessarily prolonged suffering and stunted economic growth. Congress should not make this mistake again” (Statement, 2020). They emphasized that “an adequate response must be large, commensurate with the nearly $16 trillion nominal output gap our economy faces over the next decade” (Statement, 2020).

The latest and already famous report by Klaus Schwab and the World Economic Forum – *Covid-19: The Great Reset* (Schwab and Malleret, 2020) – also highlights the social concept of the desired response of states to the crisis. It is stated that the pandemic has made the government important again, which is also the conclusion of some recent work on the process of deglobalization (James, 2017; Lewis, Monarch, Sposi, 2018; Kotlica, Stanojevic, 2018). “Massive redistribution, on the one hand, and abandoning neoliberal policies, on the other – will exert a defining impact on our societies’ organization, ranging from how inequalities could spur social unrest to the increasing role of governments and the redefinition of social contracts” (Schwab and Malleret 2020).

Joshua Gans from MIT is along the lines of this by underlining the importance of supporting households, not large companies. Due to the dramatic drop in demand, there is an increase in poverty and a decline in the entire economy. He says: “if we let a pandemic run its course without mitigation that lowers economic activity, what happens is a recession. This is a recession where we see a reduction in the availability, ability, and health of the workforce as the virus spreads unabated. This causes a large reduction in economic activity” (Gans, 2020, p. 7).
Besides moral issues, according to all the above economists, “debate about saving lives versus saving the economy... is a false trade-off” (Schwab and Malleret, 2020). They point out two groups of economic reasons. The first is in favour of supply: “we cannot physically interact with one another, and, therefore, to a very large extent, we can no longer produce the economic outcomes we once could” (Gans, 2020). Similarly, more employees and workers would become infected and more businesses would just stop functioning” (Schwab and Malleret, 2021). The second reason is in favour of demand: “Because consumer sentiments are what really drive economies, a return to any kind of “normal” will only happen when and not before confidence returns” (Schwab and Malleret, 2020).

It follows that theoretically, there is actually no dilemma whether to save the economy or health (lives) because they are interdependent. Schwab and Malleret (2020) concluded that “governments must do whatever it takes and spend whatever it costs in the interests of our health and our collective wealth for the economy to recover sustainably, making it clear that only policy measures that place people’s health at their core will enable an economic recovery.”

In addition to these most influential scholarships, government interventions in the economy during the COVID-19 pandemic have been the subject of a huge number of scientific articles. The interest that the pandemics stimulated in science in a few months is equal to the one that is dedicated to the entire World Financial Crisis. We will list some of the most important for this article. Baldwin and Weder di Mauro (2020) edited the thematic Proceedings with the key subject of policymakers’ responses to pandemic effects. Blanchard, Philippon and Pisani-Ferry (2020) suggested a new policy “toolkit” for the time after COVID-19. Felbermayr (2020) edited the thematic Proceedings that consider the effects of the pandemic on future directions of globalization. Schwab and Zahidi (2020) investigated the challenges and the future models of jobs. Alberola et al. (2020) analysed differences between potential fiscal effects in advanced and emerging market economies. Eichenbaum et al. (2020) created a universal model of the interaction between economic decisions and epidemics.

**METHODODOLOGICAL APPROACH**

In line with the dominant theoretical orientations towards remedying the socio-economic consequences of the COVID-19 crisis, the key elements of an appropriate policy should be “income compensation and active labour market policies” (ILO, 2020). During the first wave of the pandemic, many national governments have already implemented large socio-economic packages, providing massive fiscal support to protect employment, households and vulnerable populations.
The governments’ interventions in this paper are classified on the basis of the Oxfords’ economic support index (OxCGRT, 2020), which includes:

- income support at a level of less than 50% and greater than 50% of income,
- support for formal and informal employment, and
- measures focused on debt relief of households.

Additionally, we have included the measures of direct financing of households, either in cash or exemption from certain household expenditures, according to the IMF (2020) data on individual government package measures.

Based on the stated principle, we have classified the measures of the Government of Serbia and ten other European countries.

Table 1. Socio-economic measures of selected European governments

<table>
<thead>
<tr>
<th>Country</th>
<th>Income support</th>
<th>Coverage of measures</th>
<th>Support to households</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>≤ 50%</td>
<td>≥ 50%</td>
<td>Formal</td>
</tr>
<tr>
<td>Serbia</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Croatia</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>France</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Germany</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Greece</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Hungary</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Ireland</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Italy</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Norway</td>
<td>+</td>
<td></td>
<td>+</td>
</tr>
<tr>
<td>Romania</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
<tr>
<td>Switzerland</td>
<td>+</td>
<td>+</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s according to the OxCGRT, 2020 and IMF, 2020.

The assessment of the adequacy of government interventions is based on the statistical description of the effects of these measures in Serbia and the selected countries. The effects of the Serbian government’s measures will be assessed by:

a) analysing the success of the fight against unemployment, indicated by the rates
of formal and informal employment, b) data on the number of closed SMEs, c) assessing the impact on the revenues of the surveyed population by the World Bank, d) the results of the survey of state aid beneficiaries, by CEVES and the Government of the Republic of Serbia.

INCOME SUPPORT OR EMPLOYMENT SUPPORT

Only in the first month after the state of emergency was declared, approximately 11,000 people in Serbia lost their jobs (IMF, 2021). The most affected sectors are catering, wholesale, retail, business services and real estate.

To overcome this problem, the Serbian government has adopted and implemented the following measures:

• Three-month deferral of payroll tax and social security contributions for all private companies, to be repaid in 24 instalments starting from 2021 (IMF, 2021)
• Net minimum wage for each employee in micro, small and medium enterprises for three months;
• 50% of the minimum wage for each employee in large companies whose workers are on forced leave;
• The Tax Administration has published a list of about 12,000 companies that meet the criteria for state aid in the form of another minimum for December. This aid was aimed at the most vulnerable sectors, catering and tourism.

According to the OxCGRT, income support higher than 50% of the salary was provided by almost all European Union countries, as well as by Serbia. The exceptions are Italy, Croatia and Hungary, which reimbursed less than 50%, and Estonia, which did not provide revenue support. Some countries reimbursed these amounts of salaries to companies in order to preserve employment; others paid these amounts to workers who lost their jobs. The Serbian government focused on providing support to employers to retain workers.

The effects of the implemented measures on unemployment are given in Table 2. The results were calculated according to different methodologies, which is why they are not comparable between countries. They are given to illustrate unemployment trends in the selected countries during 2020.
The data show varying degrees of success in maintaining unemployment at pre-lockdown levels. The Government of Serbia managed to prevent a larger number of the unemployed thanks to assistance measures, first of all, payment of the minimum for three months to micro, small and medium enterprises, deferral of taxes and contributions, application for cheap loans of the Development Fund. What is interesting is that the number of employees in Serbia in the third quarter of 2020 was 2.0%, higher than in the same quarter of the previous year. Still, staff reiterated its expectation that unemployment would likely rise later in 2020 and early 2021 after the minimum wage subsidies and other measures supporting firms expire (IMF, 2021).

Table 2. Unemployment rate % of labour force, Oct 2019 – Oct 2020

<table>
<thead>
<tr>
<th></th>
<th>X</th>
<th>XI</th>
<th>XII</th>
<th>I</th>
<th>II</th>
<th>III</th>
<th>IV</th>
<th>V</th>
<th>VI</th>
<th>VII</th>
<th>VIII</th>
<th>IX</th>
<th>X</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>9.7</td>
<td>9.7</td>
<td>9.7</td>
<td>9.7</td>
<td>9.7</td>
<td>7.3</td>
<td>7.3</td>
<td>7.3</td>
<td>9.0</td>
<td>9.0</td>
<td>9.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Croatia</td>
<td>7.2</td>
<td>7.2</td>
<td>7.2</td>
<td>7.0</td>
<td>7.0</td>
<td>6.4</td>
<td>6.4</td>
<td>6.4</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>7.5</td>
<td>7.6</td>
</tr>
<tr>
<td>EU 27</td>
<td>6.6</td>
<td>6.6</td>
<td>6.5</td>
<td>6.5</td>
<td>6.6</td>
<td>6.6</td>
<td>7.0</td>
<td>7.2</td>
<td>7.8</td>
<td>7.7</td>
<td>7.6</td>
<td>7.6</td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>8.3</td>
<td>8.2</td>
<td>8.2</td>
<td>7.7</td>
<td>7.5</td>
<td>8.0</td>
<td>7.3</td>
<td>7.2</td>
<td>6.9</td>
<td>9.4</td>
<td>9.0</td>
<td>8.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Germany</td>
<td>3.1</td>
<td>3.2</td>
<td>3.3</td>
<td>3.4</td>
<td>3.6</td>
<td>3.8</td>
<td>4.0</td>
<td>4.2</td>
<td>4.3</td>
<td>4.6</td>
<td>4.5</td>
<td>4.5</td>
<td>4.5</td>
</tr>
<tr>
<td>Greece</td>
<td>16.7</td>
<td>16.7</td>
<td>16.4</td>
<td>16.2</td>
<td>15.9</td>
<td>15.7</td>
<td>15.8</td>
<td>17.3</td>
<td>18.0</td>
<td>16.6</td>
<td>16.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>3.6</td>
<td>3.4</td>
<td>3.4</td>
<td>3.4</td>
<td>3.6</td>
<td>3.7</td>
<td>4.1</td>
<td>4.8</td>
<td>4.9</td>
<td>4.6</td>
<td>4.4</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>Ireland</td>
<td>4.7</td>
<td>4.7</td>
<td>4.8</td>
<td>4.9</td>
<td>4.9</td>
<td>5.0</td>
<td>4.6</td>
<td>4.8</td>
<td>5.3</td>
<td>6.20</td>
<td>6.7</td>
<td>7.2</td>
<td>7.5</td>
</tr>
<tr>
<td>Italy</td>
<td>9.4</td>
<td>9.6</td>
<td>9.6</td>
<td>9.6</td>
<td>9.4</td>
<td>8.5</td>
<td>7.4</td>
<td>8.7</td>
<td>9.3</td>
<td>9.8</td>
<td>9.7</td>
<td>9.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Norway</td>
<td>3.8</td>
<td>3.9</td>
<td>3.9</td>
<td>3.7</td>
<td>3.5</td>
<td>3.6</td>
<td>4.1</td>
<td>4.6</td>
<td>5.2</td>
<td>5.20</td>
<td>5.3</td>
<td>5.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Romania</td>
<td>3.9</td>
<td>4.0</td>
<td>4.0</td>
<td>3.7</td>
<td>4.3</td>
<td>4.6</td>
<td>5.0</td>
<td>5.1</td>
<td>5.3</td>
<td>5.5</td>
<td>5.4</td>
<td>5.1</td>
<td>5.3</td>
</tr>
<tr>
<td>Switzerland</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.6</td>
<td>2.5</td>
<td>2.9</td>
<td>3.3</td>
<td>3.4</td>
<td>3.2</td>
<td>3.2</td>
<td>3.3</td>
<td>3.3</td>
<td>3.2</td>
</tr>
</tbody>
</table>

The governments of France, Italy and Greece have also successfully maintained employment. The data show a minimal increase in the unemployment rate in these countries. In these three countries, as in the case of Serbia, this is the result of strong government support for employment. France has set aside 31 billion euros for keeping people employed (chômage partiel). “Companies pay their workers 70% of their gross salary (which is roughly equivalent to 84% of net salary) or 100% of net salary for those at the minimum wage” (Anderson et al. 2020). Italy and Greece, as shown in Table 1, have provided strong income support to companies since the beginning of the pandemic in order to retain workers. Greece has a high unemployment rate, but that is not caused by the pandemic. Maintaining employment during the pandemic in the Greek economy, where tourism is the main activity, can be considered a significant success for the Greek government.

Quite different examples were provided by the governments of Ireland and Norway, which provided significant income support and yet recorded a significant rise in unemployment. Norway provided “larger wage subsidies for temporary lay-offs, more generous unemployment benefits, temporary lowering of the employers’ social insurance contributions” as measures for the protection of household income (OxCGRT, 2020). Unemployment in Norway, although not generally high, rose from 3.5% of the workforce in February 2020 to 5.2% by autumn (Table 2). In Ireland, nearly a third of the workforce is receiving the new Pandemic Unemployment Payment (PUP), the benefit for those unemployed due to COVID-19. Before the crisis, just 7% were receiving Jobseeker’s benefits (Tetlow, Pope, Danton, 2020). Ireland has also experienced a large increase in unemployment from 4.9% to 7.5% (Table 2).

What is the cause of that?

Socio-economic measures were not at the forefront of the Norwegian government. Much larger funds have been invested in rescuing large Norwegian companies and banks, grants for start-ups and subsidies for domestic air routes.

However, despite large investments have been made in the preservation of large economic entities, the lack of funds is not the reason for higher unemployment growth than in other European countries because Norway and Ireland do not have a problem with limited financial resources. We believe that the growth in unemployment was contributed by the measures that support income, but not employment. Serbia and other countries that did not record a significant increase in unemployment directed the projected amounts to companies so that their employees would not be a burden. The Serbian government, by providing support for earnings, has also conditioned companies not to lay off workers until March 2021. In contrast, Norway and Ireland have directed huge amounts of income to the unemployed. Thus, no motivation was created for workers to keep their jobs, nor were employers motivated not to lay off workers. Companies are strongly...
financially supported regardless of layoffs. So, there was no reason for them to lose profits on surplus workers.

We will focus on the assessment of the appropriateness of the Serbian government’s measures, which is the topic of this research. The government has allocated huge funds and invested a lot of effort, and the effects on unemployment are, as the data show, excellent, at least in the formal employment sector. The IMF and Serbian authorities also estimated that the fiscal support provided in 2020 was widely appropriate and helped households and companies overcome the COVID-19 disturbances (IMF, 2021). The results of the survey of economic entities, conducted by the non-governmental organization CEVES (2020), also show a positive assessment. The majority of respondents assessed the government’s measures as very useful, and the most used measures are those related to the payment of minimum wages and deferral of tax payments. The UN Serbia and UNDP (2020) also stressed that “although the crisis caused by COVID-19 had a significant impact on the economy and society in Serbia, they expressed short-term resilience and ability to recover”.

On the other hand, the same provisions, due to inaccuracies, have incurred costs not only to the state budget but have also damaged many employees. Entrepreneurs, flat-rate entrepreneurs, entrepreneurs in agriculture and micro, small and medium enterprises are entitled to payment of non-refundable funds from the budget in the total amount of three minimum net salaries (three times 30,000 dinars). So, only large companies are exempt. Since no criteria were prescribed for companies to apply for this help, as many as 232,000 business entities (more than a third) applied, with a total of more than a million employees. Among them, there were companies from the sectors that do not have any business risk related to the pandemics (private faculties and schools, which certainly collected tuition fees for enrolled students at regular prices).

Yet, it is noticeable that this segment of socio-economic measures in other countries implies certain requirements. In the EU, there are precisely defined categories of economic entities that can apply for state aid by providing clear evidence that they suffer losses due to the lockdown.

France, with a high degree of intervention in the socio-economic sphere, defined that a “Partial activity scheme can be requested by businesses in exceptional circumstances” (KPMG, 2020). These exceptional circumstances are specified by the already existing French law (KPMG, 2020). This is the simplest solution which did not require redefining and adopting the criteria for assistance.

In Belgium, employment-related measures require that “businesses must file a specific application form wherein they must provide evidence of the financial impact of the crisis on their business” (KPMG, 2020).
In Greece, companies do not have to prove that they are vulnerable to the pandemic, but sensitive sectors have been defined that could not avoid the negative consequences. “Companies in the sector of tourism, air and sea transportation, passenger land transportation, restaurants, culture and sports as well as in any other significantly affected the business sector on the basis of their Professional Activity Codes (KAΔ)...” (KPMG, 2020).

In Croatia, it was quite difficult for employers to receive the assistance of only HRK 2,000 per employee. They had to: “prove that the COVID-19 epidemic has had a negative effect on its business, thereby justifying the need for the expected decrease in total monthly working hours by proving a decrease in turnover of at least 20% in the month for which the grant is sought, compared to the same month of the previous year and providing a reason for the decrease, such as a decrease in orders, inability to deliver finished products, etc.” (KPMG, 2020).

Only in Serbia, whose economic resources are smaller than in all the above countries, it was enough to have a registered company and submit a request in order to get minimum wages for all its workers.

SUPPORT FOR INFORMAL EMPLOYMENT

Informal employment is defined in different ways, but it always refers to work without a formal contract – employees without a contract, self-employed, helping household members, agricultural workers, and domestic workers. The informal economy is present in all societies and at all social levels.

In Serbia, the measures to help with unemployment in this segment of the workforce have been completely absent. An additional problem is that informal employees have borne the brunt of the lockdown during the pandemic, and another problem beyond all this is mostly young people, who are the most vulnerable category in terms of employment. These are employees in cafés, which were closed for health security reasons, promoters in shopping malls (also closed), engaged through youth cooperatives in all kinds of jobs, and students doing practice work in craft service sectors, such as hairdressing and beauty salons (also closed for a few months), and similar.

Informal employment in Serbia is continuously high, and according to the Labour Force Survey for 2019, among 2,901,000 employees, 529,200 were informally employed, which is 18.2% of the total number of employees (RZS, 2019). Udovički and Medić (2021) estimate that a decline in informal employment amid the crisis (late March and mid-April) was up to 80% compared to normal levels, while at the end of the second quarter and during most of the third, it was about 20% lower. “Also, the number of the informally employed does not say anything about the
working hours of informal workers, and there are indications that they also dropped significantly during the crisis, and thus wages” (Udovički, Medić, 2021, p. 6).

Figure 1. Formally and informally employed in Serbia (percent of change)

Source: authors according IMF, 2021, p. 12

Figure 1 shows the changes in employment and unemployment rates in Serbia on a year-on-year basis. We notice great instability in the informal sector (brighter line), and the labour market outlook remains uncertain. The decline in informal employment in the second quarter of 2020 was dramatic, i.e., about 25% lower than in the same period of the previous year (Figure 1). The negative impact of the pandemic on informal employment in 2Q2020 seems to be partially offset in 3Q2020.

Even before the crisis, informal workers were generally in a significantly more difficult position than formal employees. The informal non-agricultural labour market before the crisis consisted of about 180,000 informal workers. Compared to the formally employed, informal workers earn on average about 30% lower wages. Informal employment was marked by a very strong adjustment during the state of emergency, especially in cafés and restaurants, where it fell by at least 90% (Udovički, Medić, 2021, p. 65). As mentioned on the previous page, these are economic activities that otherwise informally employ a large number of workers. According to Udovički and Medić (2021), in 2021, the number of informally employed will decrease by 10,000-42,000 unless additional support from
government measures is provided. However, without the social responsibility of the companies themselves, especially in extraordinary circumstances, no government can fully respond to the social challenges of informal employment.

The previously mentioned measures, which were successful in terms of maintaining formal employment, did not have any effect on the informal segment of labour because they were not applicable. The Serbian government has failed to support this vulnerable population. None of the strategic documents or the mentioned assistance plan related to COVID-19 is applicable to these workers (UN Serbia and UNDP, 2020), except for the one-time assistance of 100 EUR to all adult citizens of Serbia.

Serbia is not the only country that has completely excluded this segment of society from state aid. Other countries that did not include informal employment in the support projects are many EU countries: the Czech Republic, Slovakia, Hungary, Croatia, Romania, Sweden, and Germany, which had a one-time payment for this category in December. Apart from Serbia, among other non-EU European countries, only Albania has included the informal sector in its unemployment support program (World Bank, 2020).

According to the OxCGRT (2020), the governments that supported this segment of the workforce in the same way as the formally employed from the beginning (in March) are the UK, Italy, Denmark, Finland, France and Greece. From October 2020, Austria, Belgium, the Netherlands, and Poland have also started to support this sector.

**DIRECT SUPPORT TO HOUSEHOLDS**

The most common form of direct support to households during the pandemic is debt relief. According to the Oxford support index (OxCGRT, 2020), some countries had a narrow, others a broader debt relief context, but almost all included it in the pandemic mitigation program.

The Serbian government’s direct support to households is more diverse than in other countries. It consisted of:

- Debt relief - instalments of all loans were deferred, without any costs and additional interest;
- A universal cash transfer of EUR 100 to each citizen over the age of 18 (about RSD 71bn);
- A one-off payment to all pensioners (RSD 7bn)

Almost all European countries have debt relief. The exceptions are Norway, Switzerland, and Bosnia and Herzegovina, which failed to implement any debt relief
measures. Germany might also be put into this group although it had some narrow debt relief for only 3 months during the first wave of COVID-19 (OxCGRT, 2020). Germany has provided large debt relief to German companies, but not to households. The postponement of consumer loans was only for three months, supported by evidence of the seriousness of the situation. “For consumer loan agreements entered into before 15 March 2020, claims for repayment, amortization and interest which are due between 1 April and 30 June 2020 are postponed by 3 months from their due date if and to the extent the consumer suffers a decline of income due to the COVID-19 pandemic, making fulfilment of the relevant obligation unbearable for the debtor, specifically in cases where the debtor’s means for living are endangered” (KPMG, 2020).

Similar to Serbia, Hungary had a universal loan deferral: “Loan repayments are suspended until the end of 2020 for all private individuals and businesses who took the loans out before 18 March” (KPMG, 2020).

Direct support, unlike debt relief, is not widespread. Cash transfer programs in more than 100 countries have been introduced in response to COVID-19, but cash transfers have been targeted at sensitive categories as a way to provide immediate economic relief to households affected by COVID-19.

Germany has had several useful forms of direct assistance: reduced electricity prices for consumers, €0.2 billion to single parents for additional relief and benefits, Children’s Bonus of €300 per child (Anderson et al. 2020). These measures are in a way universal. Electricity has become cheaper for everyone, and all children have received financial assistance, so it has not been proven whether someone needs it or not. Due to these measures, in Table 1, Germany is marked as the only European country besides Serbia that had such direct support for the population. According to available information, outside of Europe, only the United States has provided universal direct aid of $600 to all residents.

CONCLUSIONS AND RECOMMENDATIONS

During the COVID-19 pandemic, many governments opted for interventionism that went far beyond responding to the global financial crisis (WFC) in the previous decade. In addition, in the socio-economic sphere, generally, governments have adopted more suitable measures as a response to the pandemic than to the challenges of the WFC.

Serbia stands out for the government’s great commitment to mitigating the socio-economic consequences of the 2020 pandemic, especially given its limited financial resources. According to the results of this research but also the assessments of the OECD, the IMF and the results of CEVEC surveys, which are listed
in this paper, most of the measures of the Serbian government were appropriate and useful. According to the OECD, the most effective measure in Serbia was to cover wage costs (OECD, 2020b). Also effective, albeit somewhat less, were moratoriums on debt repayment.

The shortcomings in terms of the effectiveness of the Serbian measures relate to non-targeted income support to all small and medium-sized enterprises. This failure was corrected with the next aid in December when the funds were directed to the sectors that suffered the severest damage, similar to the above-mentioned Greek strategy. This measure was effective because, by that time, it was obvious which economic sectors were most affected. However, to prevent abuse of the state aid aimed at companies, workers, and socially vulnerable categories, it is necessary to revise the records and establish procedures for different crisis scenarios. A more thorough approach would contribute not only to a fairer distribution of funds, but assistance would be timely and organizationally facilitated. EU countries, as expected, had a more rational distribution, with clearly defined priorities regarding the distribution of aid to companies. However, this is only one of the conditions to mitigate the impact on the economy and society.

The biggest obstacle to the effectiveness of all measures is the invisible informal segment of the Serbian economy. This is a problem that the government will not be able to respond to in a shorter period of time, but it can intensify efforts to achieve greater transparency of employees in temporary and additional jobs, as well as the inspection of labour, especially in the private sector, whose labour market is largely out of control.

In addition, it is necessary to revise and continuously update and control the database of socially vulnerable categories. Identifying these groups in Serbia is inefficient and unfair, also due to the lack of inspection. Social benefits are insignificant in terms of amount for those who really need help, while, on the other hand, there is a large amount of abuse. Reform cannot be carried out in critical situations when thousands of people are endangered. It was not possible during the pandemic crisis, but for future crisis situations, it would be extremely important for the government to have information about the most vulnerable residents and their data at all times. The aid of 100 euros to every adult citizen is a measure that is good for the economy and lots of residents. However, if the total amount of about 600 million EUR had been directed to poor families, in addition to justice and humanity, the effects on the economy would have been immeasurably greater because these are the groups of consumers who generate demand for basic goods. And that is what drives the economy.
REFERENCES


