



THE FIRST INTERNATIONAL CONFERENCE
Employment, Education
and Entrepreneurship

***EMPLOYMENT, EDUCATION AND
ENTREPRENEURSHIP***

12-14 December 2012 Belgrade Serbia

VOLUME 2

EMPLOYMENT



EMPLOYMENT, EDUCATION AND ENTREPRENEURSHIP*12-14 December 2012 Belgrade Serbia**VOLUME 2***EMPLOYMENT****EDITOR'S**

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PUBLISHER

Faculty of Business Economics and Entrepreneurship
8 Mitropolita Petra Street
11000 Belgrade, Serbia

PERSON RESPONSIBLE FOR PUBLISHING

Professor Goran Kvrđić PhD, Director of Faculty of Business Economics and Entrepreneurship, Belgrade, Serbia

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Faculty of Business Economics and Entrepreneurship, Belgrade.
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Printing 250 copies

CIP - Каталогизација у публикацији
Народна библиотека Србије, Београд

331.5(082)
331.5:37(497.11)(082)
331.5:004(082)

INTERNATIONAL Conference Employment,
Education and Entrepreneurship (1 ; 2012 ;
Belgrade)

Employment, Education and
Entrepreneurship, The First International
Conference, 12-14 December 2012 Belgrade.
#Vol #2, Employment / [organizer Faculty of
Business Economics and Entrepreneurship ...
[etc.] ; editors Radmila Grozđanic, Mirjana
Radovic-Markovic, Mohammad Reza Žali]. -
Belgrade : Faculty of Business Economics and
Entrepreneurship, 2012 (Valjevo :
Valjevoprint). - 342 str. ; 25 cm : graf.
prikazi, tabele

Tiraž 250. - Napomene i bibliografske
reference uz tekst. - Bibliografija uz svaki
rad.

ISBN 978-86-6069-080-9

1. Radović-Marković, Mirjana [urednik] 2.
Visoka škola za poslovnu ekonomiju i
preduzetništvo (Beograd)
a) Запошљавање - Зборници b) Тржиште
рада - Образовање - Зборници c) Тржиште
рада - Информациона технологија - Зборници
COBISS.SR-ID 195401484

EDITOR` S NOTE

The *Employment* issues are today one of the most worrying and important ones for the most of the countries. The last years of crises, unsuccessful privatization process, loosing industrial base, a fall in consumer demand, in most of Western Balkan countries, a vicious circle of declining business confidence in the face of high interest rates, monetary turbulence, poor national economy performance, reluctance by employers to recruit new workers, have caused permanent growing unemployment. Youth unemployment is double the average, and the share of long term unemployment rose to almost 50-60 percent.

The fight for Growth and Competitiveness more and more often has to set the framework for subsequent Employment agenda by national strategies, an urgency to find non-traditional policy solutions to address persistent problems and to improve the labor market attachment of under-represented groups.

The Papers from the First Scientific Conference printed in this Book having a considerable scope, to orient the debates, to advance new ideas, innovation, knowledge and measures. Their findings can be summarized through some of the further needed initiatives: *To improve employability, to create a new culture of entrepreneurship*, making and macroeconomic, financial and institutional support easier to start up, run and sustain businesses, to fund business start-ups, to provide loans for small and medium-sized enterprises (SMEs).

To promote and encourage the adaptability of firms and their workers: to this end, social partners were invited to negotiate agreements at sectorial and company level designed to modernize work organization, make firms more competitive and ensure a better balance between flexibility and security for workers. The ‘four pillars’ of employability, entrepreneurship, adaptability and equal opportunities are confirmed as permanent features of the necessary architecture of each socio economic policy of countries of transition.

The education system and the vocational training as a means to facilitate reintegration into the labor market, has to be improved in fostering a skilled workforce with generally good labor market outcomes and is internationally recognized for its research contributions. It is necessary to integrate employment policy more with other policy issues (fiscal, social protection, environment, equality of opportunities for men and women, new family patterns, demographic changes), linking Keynesian and supply-side measures country objectives.

Entrepreneurship can play a key role by supporting self-employment and local job creation, but entrepreneurship programs have not been reaching their full potential because they are not always designed with proven practices that are supported with evidence. The researchers findings might help revive the social dialogue, too, by mobilizing the social partners to agree on employment-generating measures both at local and national level and through ‘territorial employment pacts’, and make the labor markets responsive to technology and economic change.

December, 2012.

Belgrade, Serbia

Editor
Professor Radmila Grozdanic PhD
Academician

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THE FIRST INTERNATIONAL CONFERENCE
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PART ONE
TECHNOLOGIES IMPLEMENTATION IN
EDUCATION



THE IMPACT OF GLOBALISATION ON LABOUR MARKET ECONOMY

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Abstract

After nearly a century of existence of the International Labour Organisation, its regulatory framework remains controversial. In the midst of another great wave of economic globalisation, especially encroachment of the investment flows across borders, the need for reliable social dimension in the process of economic integration has never been greater. In order to establish an effective social system in the global economy and improve the constructive rather than destructive competition, international labour standards must be vigorously applied everywhere.

Dogmatism of neoliberal economics and neopolitical labour program continues to create a very negative attitude towards international labour standards. Supporters of this theoretical direction still argue that labour conditions are the product of economic development, and that only the free market is able to produce the optimum labour conditions as well as sustainable international labour standards. This deterministic attitude and its "non-sensitivity" to the history and institutions are not in line with the philosophy behind international labour standards, which refers to the observation that although economic growth improves labour conditions, it alone is not enough to permanently improve them.

Key words: *globalization, labour market economy, international labour standards, International Labour Organization, neo-liberal economy, multinational companies.*

THE IMPORTANCE OF THE INTERNATIONAL LABOUR STANDARDS

In general, neo-liberal economic philosophy is a major obstacle to the promotion of international labour standards, where the representatives of this trend in the economy have never been able to identify and prove the negative impact of the international labour standards on the economic performance of national economy. Precisely, this is one of the key issues that needs to be understood so that a greater number of countries would ratify and implement international labour standards, not only for purely moral but also for economic reasons. In other words, the economic arguments against international labour standards are wrong in several starting points. In one part they are based on the contradictions that exist between the norms and modes of action of the International Labour Organisation. The International Labour Organisation proclaims universality, but not uniformity in the application of its normative instruments. This means that it does insist that the basic international labour standards be independent of the level of development of a state, while at the same time they must respect the specific economic, climatic and other circumstances of the member states, and that there should be one flexible approach in the application of international labour standards. For example, the International Labour Organisation does not call for equal minimum wage (as is often claimed) throughout the states. On the contrary, it proposes that each country be engaged in determining the amount of minimum wages, whether it is through legislation or collective agreement. Thus, the International Labour Organisation fully recognises that the minimum wage must be in accordance with the degree of the development of the state and other economic conditions and it cannot be the same both in India and Canada.

Apart from that, the claim that international labour standards inevitably cause high labour costs thus pushing companies outside the market, has never been proven. Moreover, it is partly wrong, because that improved labour standards often lead to higher productivity, which means lower labour costs. Namely, it is believed that employers who follow the eight-hour day, minimum weekly rest period, or occupational health and safety standards, are not at a disadvantage against competition that does not comply with such rules, because the achievement of these standards requires greater worker motivation, less fatigue, fewer errors and accidents, etc (King, E., Mason, A., 2000, str. 34). Furthermore, it should not be assumed that the costs of applying labour standards should invariably be born exclusively by the employer, but a good portion has to be transferred to the employees in the form of lower wages. The International Labour Organisation showed that the cost of compliance with ratified conventions (i.e. those related to social protection or the safety of workers in developing countries) is not high. Finally, the absence of application of international labour standards cannot cost more than when they are fully applied. For example, when there is no occupational safety, employers may face excessive court costs arising from unlawful dismissals (Sengenberger, W., 2006, str. 34).

Therefore, the application of international labour standards makes the economy more productive, and thus neutralises all costs incurred by their application. To be effective and sustainable, the market must have the support of social institutions. Protectionism, which allowed the multilateral trade system to collapse and caused great economic depression in the 1920s, was also the result of similar insufficient social provisions.

The most successful national economies in today's integrated world are those with high labour standards because these standards make a positive contribution to economic success.

In many developing countries the strengthening of the implementation of international labour standards seems to improve the lives of workers who enter the increasingly growing international industrial economy and leads to opportunities for economic growth and political stability.

Today, however, many if not most developing countries, withstand possibilities of stronger international management when it comes to labour standards. Their reasons are varied. Some fear an attack on national sovereignty after years of pressure from structural adjustment, or bad experiences related to the "unfair" economic agreements, while others see the threat from disguised protectionism by the industrialised world.

It is interesting to note that during the establishment of the multilateral economic system, developing countries were mostly opposed to the introduction of clauses on international labour standards into the Constitution of the World Trade Organisation. Their main argument referred to the fact that increased international economic integration creates a risk of competitive pressures undermining their efforts to develop and maintain high labour standards.

BENEFITS FROM THE IMPLEMENTATION OF INTERNATIONAL LABOUR STANDARDS

Today we can safely confirm some facts. Firstly, the minimum labour standards raise efficiency, while determining minimum wages and other minimum conditions of work affects the competitive regimes of business. If there is no possibility of competition in terms of low labour standards, efforts need to be made to compete in other, more constructive conditions. Minimum labour standards encourage employers to improve management, technology, products, processes, work organisation and workers' skills. Companies that cannot achieve these standards will be displaced from the market by more efficient competitive companies.

Secondly, participation of workers in a decision making process based on the freedom of association, collective bargaining and social dialogue is a means of

preserving cooperation and mutual trust, which enhances both micro and macroeconomic performance (Craig, J., Lynk, S., 2006, str. 337). This effect is achieved in several ways: workers with their knowledge and experience contribute to proper decision making; conflict of interests can be smoothed out peacefully through consultations and negotiations; collective agreements make business conditions predictable and accountable, providing enhanced security in investment decisions; collective bargaining enables determining wages in a more transparent way, thereby avoiding the dissatisfaction of both workers and employers. In addition, tripartite social dialogue at national level facilitates the stabilisation of macro-economic conditions, which is a basic prerequisite for higher levels of employment.

Thirdly, job security and wages may have different positive effects. Socially secure workers are more willing to take risks and to transfer their skills to other workers and management and are better prepared to cooperate in technological and organisational changes. Safety of workers and labour market flexibility are not conflicting, they are rather mutually compatible objectives. Protecting workers against job and income loss assumes even greater importance in open economies that are vulnerable to external crises, greater competitive pressures and face more volatile and more rapid structural changes. In this situation, the protection of workers against social risks is a positive alternative to protectionism imposed by imported restrictions and subsidies.

Fourthly, the elimination of forced labour and child labour is not exclusively a moral and legal imperative, but also an economic imperative. Forced labour slows down development because it holds capital and labour on an outdated and low level. Child labour can ensure the survival of families, but at the expense of a very high price of reducing life expectancy and years of working life. It hinders education and the development of qualifications, thus reducing productivity and inhibiting social development in the long run.

Fifthly, equal opportunities and equal treatment in employment lead to a reduction of social conflicts and greater economic growth. Discrimination in employment is related to the exclusion of workers from employment, either generally or for specific activities, which leads to reduction in human resources, and eventually to underuse of the talents and skills in the labour market. Discrimination and failure to ensure equal wages for work of equal value are demoralising and demotivating for employees and can cause serious conflicts in a workplace.

Sixthly, international labour standards can help in raising wages and income equity, which is suitable for development, social cohesion and democracy. Differences in wages are lower if unions influence their structure and their payment systems. Social security systems and social institutions tend to reduce income disparities, strengthen aggregate demand, avoid or reduce poverty, and prevent political upheavals.

Seventhly, in order to promote full, productive and freely chosen employment, policies are very important in any respect. The quantity of employment should not be opposed to the quality of employment. The fight against unemployment should

not be used as an excuse to end (disappearance of) reasonable working conditions for those already employed (Sen, A., 2000, str. 114). Large scale redundancy is a major obstacle in the implementation of international labour standards. It directs the situation on the labour market drastically in favour of employers and therefore makes it difficult, if not impossible, to raise the level of wages and basic worker rights. There is a vicious circle which comprises low wages, poverty and high birth rate. Child labour, prisoner labour, low real wages and insufficient levels or premiums of social security tend to increase the supply of labour. This causes further decline of the earnings, resulting in increasing poverty and child labour, and creating the illusion of surplus labour and low or non-existent labour standards. What is needed is a set of global macro-economic policies and active labour market policies to assist the harmonisation of supply and demand, as well as measures of social security and minimum wages in order to maintain and alleviate depression, and finally reverse these negative spirals into positive spirals of development.

THE INTERNATIONAL LABOUR STANDARDS IN THE LIGHT OF THE NEOLIBERAL ECONOMIC THEORY

Adopting international labour standards entails their direct application to the labour market, with the goal of dealing with the competition, all the while allowing workers to stand in counterbalance to capital holders, so as to improve their working conditions.

From its foundation, the International Labour Organization has insisted on the thesis that economic growth, as an individual category, is not sufficient to provide better working and living conditions, or to ameliorate the unfavorable position of certain individuals and groups of individuals in the labour market.

The standpoint has been long disputed by neoliberal doctrine, which considers employment and working conditions to be defined by endogenous economic forces and that they mostly depend on the gross domestic product of any country. This means that, if the gross domestic product per capita were low, the working hours would be irretrievably long; the wages would be low and the working conditions difficult. The working conditions could not “artificially” rise above the framework of economic growth. International efforts to improve working conditions would be in vain, even detrimental. It would be an impact against the “laws of economy”. The lever to lift each country to the highest level of prosperity is an unconditional and limitless economic competition, within, as much as in between, governments and companies (Fais, H., 1927, str. 492).

Therefore, the essence of the neoclassical economic theory is that only a free market and competition without limits can generate not only the most efficient, but the most honest economic results, which are therefore in the workers’ best interest. According to

these theories, the free market establishes a "real standardization" of work and wages. Competition influences the companies to be good employers who, above all, pay great attention to work efficiency. Contrary to this, imposing international labour standards on countries would generate a "false" standardization of work and wages. Unions, collective agreements, minimal wages, the social welfare system, etc., restrict competition and create a distortion in the labour market and an institutional "sclerosis" in the whole of the economy. They increase the cost of production by rising wages above the market average, hinder efficiency and limit flexibility, increase inequality, deter investments (thus limiting the economic growth) and reduce the overall level of employment. In the final analysis, they pose a threat to social progress. According to the supporters of this theory, the comprehensive and universal labour standards designed to set the minimal working conditions and bigger and more just earnings, damage economic growth the most, and the cost of such conditions and strategies could be too high for developing countries, and would bring only modest, if any, gain for developed ones.

This standpoint represents an echo of contemporary international trade economists, who find that the economic development and social system of workers are best found in a liberal trade regime (Bagvati J., 2009, str. 54). Limiting trade and investments outside of borders would render it more difficult for poor, developing countries, to catch up with economically more advanced nations.

In theory and practice, the point of view that international labour standards are economically damaging, because they raise production costs and companies are being swept away from the market, has turned out to be one of the greatest obstacles toward advanced labour standards. Neoclassical economic theory has been the dominant view point since the 1970's. Through its influence on the theory of the economy of standards, it has educated generations of students in large parts of the world, some of which have become, or are going to become, top politicians and decision makers. The neoliberal policies of the so-called "Washington Consensus" have led the greatest international financial institutions, especially the World Bank and the World Trade Organization. For instance, the World Bank deems social justice a necessity, but not *per se*, valuable as such, but as means that can decrease poverty and reach economic prosperity. In a World Bank report entitled "Equality and development", the equality of possibilities is presented as the only form of equality acceptable. This is in complete accordance with the neoliberal doctrine's attitude concerning equality, according to which individuals with more merits, i.e. abilities or characteristics which society finds valuable, have greater achievements in the race for success. According to such a concept, inequality is justifiable as well, since it encourages economic growth, hence, there are always winners and losers. According to the World Bank, only equality that has been understood in this sense leads to social justice, which is complementary with reaching long-term economic prosperity. If the market does not operate according to the principles of an open free market, the product is inequality of possibilities. The World Bank officially approved the international labour standards only four years ago, but has denied supporting them since they contradict its own policy. So the question of application of these standards in terms of the World Bank remains vague.

During the last few decades, economic arguments against international labour standards have also become popular among the politicians in Third World countries. The natural competitive advantage of the Third World countries and developing countries is that they have abundant supplies of cheap and unprotected labour, and this should not be eliminated by setting labour standards that the developed countries impose. Until they reach a higher level of economic development, improper employment and poverty create different political priorities than good quality jobs and good working conditions.

Surprisingly, the argument of excessive costs of international labour standards is also used in wealthy, developed countries so as to warn against further improvement of labour standards, even to call for a decrease in the existing ones. From the point of view of brutal international competition, social costs related to labour standards are not available (affordable) or would inevitably lead to a decrease in growth and employment. As countries open toward the international economy, abiding by international labour standards means increasing the costs of production, since, in the regime of liberal trade in which the prices are set by the international market, the overall expense of meeting international labour standards must be absorbed by companies or employees. Manufacturers can no longer (as is the case in a closed economy) pass the costs of meeting the standards to consumers, through higher prices. Therefore, the pressure on national standards will decrease, unless there is a mutual international standard for all participants in the market.

The economic arguments against international labour standards are erroneous on several levels. Partially, they are based on contradictions between the norms and the ways in which the International Labour Organization operates. The International Labour Organization declares universality, but not uniformity when applying these normative instruments. This means that, while it indeed insists that the fundamental international labour standards are independent of a country's level of development, on the other hand, these standards must obey the specific economical, legal and other circumstances of a member state, and while making a policy of application of international labour standards, one must take a flexible approach. For instance, the International Labour Organization does not call for equal minimum wages (as is often asserted) in all countries. Rather, it proposes that each state should engage in determining the amount of the minimum wage, whether through legislation or a collective agreement. Therefore, the International Labour Organization fully acknowledges that the minimum wage must correspond to the state's level of development and other economical conditions, meaning that they cannot be the same in India and Canada.

The economic neoliberal ideology is yet to prove its assertions that international labour standards inevitably cause high costs of labour, thus rendering companies uncompetitive in the international labour market. We consider this kind of thinking to be partially wrong and exaggerated, since it is precisely the improved labour standards that quite often lead to greater productivity, meaning the decrease of labour costs. An employer who respects the eight-hour day, the minimum

weekly break and standards of safety and security in the work place, is not considered to be in a less favorable position than the competitor who does not abide by these rules, because achieving a standard requires greater motivation on behalf of the worker, less fatigue, less mistakes and mishaps, etc. Furthermore, one should not suppose that the costs of applying labour standards should inevitably be paid by the employer alone, since a fair portion of these costs has been transferred to employees in the form of lower wages. Moreover, the International Labour Organization has demonstrated that, despite the popular views, the cost of obeying a ratified convention (i.e., those that have to do with social protection or safety and security in the work place in developing countries) is not too high. Finally, failure to abide by international labour standards can turn out to cost more than abiding by them. For instance, without any protection while hiring, employers can face excessive legal fees resulting from unlawful dismissal.

While the costs of applying the standards are mostly direct, comprehensible, momentary and localized, the advantages of applying them are mostly indirect and immeasurable. It is only when the negative consequences of low standards accumulate (e.g., taking the form of poverty, crime and social disintegration) do people become completely aware of the economic and social usefulness of international labour standards.

Unfortunately, the economic policies of certain states regarding international labour standards are rather weak and tend to limit themselves to microeconomic aspects alone, ignoring macroeconomic implications. Equality and the problems of distribution are neglected, and are surrounded by simplified and very cruel, unrealistic assumptions (Stiglitz J., 2002, str. 13). In order to shrewdly evaluate the usefulness of international labour standards, they must be observed from a broader economic, social and political perspective.

MULTINATIONAL COMPANIES ON THE LABOUR MARKET

However, we must emphasise that not only economic considerations are inspired by the neo-liberal philosophy of the only brake that impedes the introduction and implementation of international labour standards. Apart from this, it is important that the political and cultural fundamentalism openly oppose the system of values provided for in international labour standards. Therefore, it is often emphasised that international labour standards do not possess sufficient versatility and therefore the national policies of individual countries can block their implementation. Cultural traditions, local values, and religious dogma, on the one hand, serve as an excuse, or an effective ideology, defining the position of power of some individuals or groups, while on the other hand, deny internationally recognised rights of women, children, ethnic minorities, trade unions and other.

Still, the biggest obstacle to the improvement of international labour standards is the global economic and political environment. The end of the Cold War opened

new possibilities for the introduction of international labour standards in the former socialist countries. However, at the same time it reduced the incentives for cooperation between states, employers and workers in the field of social policy. In this sense there was a shift of power in the labour market in recent decades, as a result of low growth, high unemployment and inadequate employment, and reduced public budgets in almost all parts of the world. A large surplus of labour force acts as an inhibitor to improving working conditions when it is most needed. The ability of capital to move freely across national borders has worsened the imbalance of power. International cooperation, including engagement in the implementation of labour standards would be an effective tool in this situation, but seems to lack the political will. Paradoxically, as globalisation progresses, so the need for concerted international action decreases, and therefore limited attitudes and opportunistic local behaviour are increasingly intense.

In order to overcome these obstacles, it is necessary that a wide range of civil society take responsibility to control, monitor and implement international labour standards. This has been happening more and more lately, leading to new ways of action and control, such as product labelling, rules of conduct and ethical investment plans. However, these control methods are currently much more oriented towards the export market, so there is still no adequate implementation of international labour standards for workers who produce or work exclusively for the domestic market.

Also, it should be noted that the presence of multinational companies in the world market tends to be exaggerated (Jensen, N., 2008, str. 75). Counting on less than 10 per cent of world production, and an even smaller share of employment in most developing countries, multinational companies cannot have a dramatic and decisive impact on the global labour conditions (Obstfeld, M., Taylor, A., 2003, str. 175). Moreover, multinational and domestic companies have to adapt to the reality of the labour market where they employ workers. No company can be forced to lower wages or degrade working conditions when workers have the opportunity to work for another employer. When there is such an option, only increased labour supply or reduced demand for workers can weaken working conditions. In contrast, increased production in multinational companies increases the demand for labour and equal improvement or (when there is a significant unemployment rate) conservation of the level of wages and other working conditions.

Very often, multinational companies pay higher wages than the companies of a host country to the employees with equal qualifications, both in industrialised countries and in developing countries (Flanagan J., 2001, str. 46). In many developing countries, however, multinational companies employ a small number of workers in order to raise the general level of earnings, unless such a practice does not lead local employers to raise wages in order to retain workers who might otherwise move to multinational companies. Some multinational companies import technology and manufacturing processes that require skilled labour force that is relatively abundant in the industrialised countries. In

this case, multinational companies can increase the difference in wages between skilled and unskilled workers in the host country. A big difference between the wages of skilled and unskilled workers provides stronger incentives for acquiring higher educational level - a process that will eventually narrow the differences as the demand for skilled workers increases (Flanagan, J., 2006, str. 126).

The view that poor working conditions attract multinational companies also has no support. The fact is that the largest flows of foreign direct investment are done precisely between the advanced countries with high labour standards. Factors such as market size, investment climate risk and the presence of trade barriers are far more influential than the extent to which labour standards are adopted and implemented. Statistical analysis confirmed that states with poor working conditions or poor labour legislation do not attract foreign direct investment to a greater extent than countries with superior working conditions. Therefore, the notion that states can compete for foreign direct investment through the degradation of labour standards is doubly incorrect. Besides, it does not take into account the interests of producers in minimising the cost per unit of production. Poor working conditions signal low productivity and low earnings per worker are neutralised by low productivity per worker. This is more noticeable when taking into account that multinationals are not attracted by low productivity labour, which is usually poorly paid.

Apart from that, multinational companies can have a positive effect on the working conditions of the host country, but in practice there are other cases in which the multinational companies either stayed neutral, or were involved in corruption affairs. Data from a survey conducted by 4,000 companies operating in the transitional economies of Central and Eastern Europe pointed to the frequent practice of multinational companies to bribe government officials in order to obtain favourable legislative treatment or win tenders (Harms, P., Ursprung, W., 2002, str. 655).

The basic labour standards are often perceived as human rights at work, because their observance creates conditions for the application of other standards. The International Labour Organisation has identified four key areas where corresponding conventions were passed and which are considered to be basic labour standards. These are: the right to organise in trade unions and to collectively negotiate, prohibition of forced labour, prohibition of child labour and prohibition of discrimination in employment. Some of them contain few uncertainties. First of all, the prohibition of forced labour is not an issue in the most developed countries of the world, and the prohibition of discrimination based on sex, race, ethnic origin or religion is economically justified because it improves the efficiency of the economy as a whole.

However, the issue of universal application of the direct prohibition of child labour is far more problematic, because children who work usually come from the poorest families, and often work because economic conditions force them to. In this sense Convention No. 182 on the Worst Forms of Child Labour adopted in 1999 defines the forms of child labour that should be eliminated as soon as possible.

Freedom to association and the right to collective bargaining are perhaps the most controversial, because the freedom of forming unions and negotiating with employers

increase the power of workers in relation to the power of a state or entrepreneurship. By giving employees a mechanism to propose and negotiate solutions to problems in the workplace, this freedom actually becomes the basis for solving all other labour standards. This is particularly true in less developed countries, whose governments often have a problem in the application of national labour legislation. Moreover, giving workers in developing countries "voting rights at work" can convince consumers and foreign investors that the conditions for investment are acceptable. Often, the trade unions in less developed countries are seen as elitist, corrupt institutions that reduce the chances for economic growth in the state, which causes more resistance to their establishment. This may be true in some cases, but in other less developed countries, trade unions are the power of democracy and protection of property rights. For example, since the late 90s, the unions of Zimbabwe are the main opponents to the dictatorship of Robert Mugabe and his confiscation of the land. Unions have also been a leading force in the campaign against apartheid in South Africa. Also, the trade union "Solidarity" was a major force in breaking the communist leadership of Poland during the 80s.

However, in the world that is characterised by the monetary system of values and a continuous increase in investments over multinationals, globalisation confronts people with the global economy through their employment. On the one hand, worker as an individual is at a disadvantage if there is no support and protection of trade union. On the other hand, unions are faced with employers who are less interested in signing standard collective agreements that correspond to traditional methods of production. In this environment, the role of trade unions inevitably weakens, that even some authors consider them as relics of the past.

In an all-growing global trading environment, where the negotiating power of employers has increased, the ability of unions to influence the selection of the appropriate level of negotiation can be significantly reduced if there is adequate protection. For this purpose it is necessary to take all measures to ensure the safety of the union. As a result, a large number of international framework agreements has been concluded recently whose main characteristic is not only their duality, but a fact that for the first time unions have been recognised as social partners.

The misuse of the globalisation process for the partial violation of legitimate rights and interests of any foreign partner cannot and should not be anyone's goal, because sooner or later such an orientation is doomed to failure. Economic progress and high profits, for example, can be provided at the expense of social rights. Modern society should be human as much as the rich one. The most natural and effective way to meet such needs should be achieved through collective bargaining, whose subjects must have a sense of finding the right measure for the evaluation of everyone's work in order to achieve a more fair and humane distribution of newly-created value. Only in this way can the necessary conditions be created for further humanisation and socialisation of labour relations, and the duration and preservation of social peace.

THE ROLE OF THE INTERNATIONAL LABOUR ORGANIZATION IN STRENGTHENING OF EUROPEAN SOCIAL MODEL

Also, we believe that the International Labour Organisation should amend its Declaration of Fundamental Rights of Workers from 1998 and include the concept of decent work with decent earnings as a fundamental principle. The unions, together with other organisations, should use the principle of decent work with decent salary as a motto which all countries must equally comply with when making labour legislation.

Especially interesting is the question of temporary work through special agencies in the member states of the European Union that is still related to the ideological and cultural factors. Temporary work through an agency should be viewed not so much as an atypical form of employment compared to traditional employment, but rather as a new and simple form of work organisation that can help companies to network with other companies specialised in the management of human resources, and to integrate the predominantly poor groups of workers into the labour market (Gidens, E., 2009, str. 111).

Excessive legislative protection of employees may be harmful to employees as it undermines the national labour market competition. Employee protection policies need to be developed in accordance with changes in market needs that are different from state to state. The task of the legislator in this context is not to introduce abstract, inadequate provisions for the existing conditions, but to adopt provisions and in particular to prepare their application when the market changes are needed. Only in this way is it possible to identify the effective legal norms, closing the gap between the law on paper and the law in practice.

A European social model needs to do more effective and plausible, especially in times when it is under considerable pressure from international competition (Lubarda, B., 2006, str. 325). Only in this way will it be possible to improve the chances of a company to achieve the legitimate use of external labour market and, at the same time, conduct a deep assessment of the work organisation model based on the belief that only by managing occurring changes the human capital of a given production system can be improved. Apart from that, the European social model is in a kind of crisis that could easily lead to its destruction under globalisation conditions. This is particularly evident in the concept of flexicurity, which is gaining in its importance and to some extent relativizes the traditional protective character of labour legislation in terms of reasons, the procedure and costs of cancelling the contract of employment for economic reasons, which makes the European social model increasingly closer to the American liberal model (Lubarda, B., 2007, str. 711). Namely, in the concept of flexicurity everything looks fair at first glance - a kind of benefit (arising from labour law), is changed for another type of benefit (arising from social security). However, we believe that not everything and not always can be reduced to trade. In this case it would mean

that the employee's consent to the possibility that at any time his contract may be terminated would be "rewarded" by giving the right to social security. This is absolutely unacceptable. The policy of sustainable development is only justified if it can lead to improved working and living conditions of workers. Otherwise it makes no sense and is a hazard when placed as a goal before social and human rights.

Due to the growing divide between: full-time and temporary employees, highly qualified and low-qualified workers, men and women, and the inability to develop the long-term creativity and inventiveness, flexible organisation of work can easily become a smokescreen for a broader neo-liberal attempts to restore the old golden age of pure capitalism. It is sufficient to point out that in terms of flexibility the work of trade unions and other labour organisations is certainly hampered, which certainly corresponds to the control and ownership structures, because of the weakened negotiating position of workers.

At the end, special attention should be paid to the national labour legislation within the universal body of basic human rights and freedoms. The fact is that the International Labour Organisation and other international organisations make normative standards that protect the fundamental rights of workers. However, their normative influence is seriously diminished by the lack of any investigative, procedural and penal system in the international organisations themselves. If you look at the competence of the European Union in respect of rights to work and social policy, you will realize that it covers only a small segment of the rights. Apart from that, the Founding Act of the World Trade Organisation does not contain the provisions on the rights of workers and the provisions on basic human rights are found only in trace. A large number of bilateral agreements, as well as the North American Agreement on Labour Cooperation (NAALC), are currently the only commercial agreements dealing with labour issues to a certain extent. However, it is a modest exception, since the North American Agreement on Labour Cooperation only stipulates the obligation for member states to respect their national legislation in labour relations, and does not require the fulfilment of the criteria and standards set by the International Labour Organisation.

From this the question arises of how human rights, as understood in the broad, international context, may be the last and best hope for labour legislation. It is clear why they need to find a place in international trade agreements, but it is not clear what positive impact this will eventually have on the improvement of national markets, and how much it really can affect the flows of globalisation especially if one takes into account the following: traditions and structures of workers' organisations differ a lot from one country to another; workers in different countries essentially compete with each other for jobs; it is unlikely that international labour standards will ever be harmonized, at least on a relevant level; and finally, the international labour standards are too distant – institutionally, symbolically and practically from any form of worker participation.

CONCLUSION

Some sort of protection of labour rights and its elevation to an international level should indicate that they enjoy equal protection over the world, but in no case can this improve the position of workers. In other words, if the Republic of Serbia is to protect workers from the harmful effects of globalisation, neo-liberalism, and other "pathologies of advanced capitalism," it had better reform labour laws on its own. If workers cannot find ways to mobilize their potentially great political force or reach mutual understanding with the state, or with its social partners to make fair agreements for sharing profit and power, if people who care about industrial democracy cannot persuade their fellow citizens in the correctness of their cause, then we see no reason why the International Labour Organisation, or any other international or regional organisation, would "do" that for us. Why should we, indeed, continue to believe that international organisations are more able and more competent to deal with these issues instead of us? Finally, the knowledge international organisations have about specific macroeconomic policies, labour markets, work place dynamics, technologies, histories and cultures, the deep structure of class and power which gives a unique shape and effect to the labour legislation of each country is limited and insufficient.

Therefore, we have little reason to believe that the recourse to international norms and labour standards which are still emerging will change the powerful effects of globalisation and make the market less "predatory" or that states will continue their engagement in the social policy and justice and thus help the workforce to regain strength and solidarity.

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UNEMPLOYMENT CRISES IN TRANSITIONAL ECONOMIES

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Abstract:

This paper is an exploratory study to examine employment practices and related crises in transitional economies. First, the paper examines the nature of transitional economies and it highlights examples of economies in transition. Next, the paper explores employment problems in the transitional economies and it examines the ways and means of tackling job crises in some transitional countries particularly in Asia and Europe

KEY WORDS: *Employment, Unemployment, Economies, Job Crises, Liberalism, Keynesianism, free Market*

INTRODUCTION

A transitional economy is an economy which is changing from a centrally planned economy to a free market economy. Transitional economies undergo economic liberalization, where market forces set prices rather than a central planning organization. In addition to this, trade barriers are removed, there is a push to privatize state-owned businesses and resources, and a financial sector is created to facilitate macroeconomic stabilization and the movement of private capital. *As a branch of economics, transition economics* is a special branch of economics dealing with the transformation of a planned economy to a market economy. It has become especially important after the collapse of Communism in Central and Eastern Europe. Transition economics investigates how an economy should reform itself to endorse capitalism and democracy. There are usually two sides: one which argues for a rapid transformation and one which argues for a gradual approach. Gérard Roland in his book *“Transition and Economics: Politics, Markets and Firms* (MIT Press 2000) gives a good overview of the field. A more recent overview is provided in *Transition Economies: Political Economy in Russia, Eastern Europe, and Central Asia* by Martin Myant and Jan Drahekoupil.

The transitional process has been applied in China, the former Soviet Union and Communist bloc countries of Europe, and many third world countries while detailed work has been undertaken in many quarters on its economic and social effects. The transition process is usually characterized by the changing and creating of institutions, particularly private enterprises; changes in the role of the state, thereby, the creation of fundamentally different governmental institutions and the promotion of private-owned enterprises, markets and independent financial institutions. In essence, one transition mode is the functional restructuring of state institutions from being a provider of growth to an enabler, with the private sector its engine. Another transition mode is change the way that economy grows and practice mode. The relationships between these two transition modes are micro and macro, partial and whole. The truly transition economics should include both the micro transition and macro transition. Due to the different initial conditions during the emerging process of the transition from planned economics to market economics, countries uses different transition model. Countries like Peoples' Republic of China and Vietnam adopted a gradual transition mode, however Russia and some other East-European countries, such as the former Socialist Republic of Yugoslavia, used a more aggressive and quicker paced model of transition

INDICATORS OF TRANSITIONAL ECONOMIES

The existence of private property rights may be the most basic element of a market driven economy, and therefore implementation of these rights is the key indicator of the transition process in any economy. However, the main ingredients of the transition process are:

1. *Liberalization* – the process of allowing most prices to be determined in free markets and lowering trade barriers that had shut off contact with the price structure of the world's market economies,
2. *Macroeconomic stabilization* – bringing inflation under control and lowering it over time, after the initial burst of high inflation that follows from liberalization and the release of pent-up demand. This process requires discipline over the government budget and the growth of money and credit (that is, discipline in fiscal and monetary policy) and progress toward sustainable balance of payments,
3. *Restructuring and privatization* – creating a viable financial sector and reforming the enterprises in these economies to render them capable of producing goods that could be sold in free markets and transferring their ownership into private hands, and
4. *Legal and institutional reforms* – redefining the role of the state in these economies, establishing the rule of law, and introducing appropriate competition policies.

According to Oleh Havrylyshyn and Thomas Wolf of the International Monetary Fund (IMF), transition in a broad sense implies:

- liberalizing economic activity, prices, and market operations, along with reallocating resources to their most efficient use;
- developing indirect, market-oriented instruments for macroeconomic stabilization;
- achieving effective enterprise management and economic efficiency, usually through privatization;
- imposing hard budget constraints, which provide incentives to improve efficiency; and
- establishing an institutional and legal framework to secure property rights, the rule of law, and transparent market-entry regulations.

Edgar Feige, recognizing the trade-off between efficiency and equity, suggests that the social and political costs of transition adjustments can be reduced by adopting privatization methods that are egalitarian in nature, thereby providing a social safety net to cushion the disruptive effects of the transition process. However, the European Bank for Reconstruction and Development (EBRD)

developed a set of indicators to measure the progress in transition. The classification system was originally created in the EBRD's 1994 Transition Report, but has been refined and amended in subsequent Reports. The EBRD's overall transition indicators are:

- Large-scale privatization
- Small-scale privatization
- Governance and enterprise restructuring
- Price liberalization
- Trade and foreign exchange system
- Competition policy
- Banking reform and interest rate liberalization
- Securities markets and non-bank financial institutions
- Infrastructure reform

TRANSITION PROCESS IN AN ECONOMY

Transition trajectories can be idiosyncratic. Some nations have been experimenting with market reform for several decades, while others are relatively recent adopters (e.g., Republic of Macedonia, Serbia and Montenegro). In some cases reforms have been accompanied with political upheaval, such as the overthrow of a dictator (such as in the case of Romania), the collapse of a government (such as the Soviet Union), a declaration of independence (such as in Croatia), or integration with another country (such as the case in East Germany). In other cases economic reforms have been adopted by incumbent governments with little interest in political change (China, Laos, and Vietnam). Transition trajectories also differ in terms of the extent of central planning being relinquished (e.g., high centralized coordination among the CIS states) as well as the scope of liberalization efforts being undertaken (e.g., relatively limited in Romania).

According to the World Bank's "10 Years of Transition" report " --- the wide dispersion in the productivity of labor and capital across types of enterprises at the onset of transition and the erosion of those differences between old and new sectors during the reform provide a natural definition of the end of transition." Mr. Vito Tanzi, Director of the IMF's Fiscal Affairs Department, gave definition that the transformation to a market economy is not complete until functioning fiscal institutions and reasonable and affordable expenditure programs, including basic social safety nets for the unemployed, the sick, and the elderly, are in place. Mr Tanzi stated that these spending programs must be financed from public revenues generated—through taxation—without imposing excessive burdens on the private sector.

INSTANCES OF COUNTRIES IN TRANSITION

Although the term "transitional economies" usually covers the countries of Central and Eastern Europe and the Former Soviet Union, this term may have a wider context. There are countries outside of Europe, emerging from a socialist-type command economy towards a market-based economy (e.g., China). Moreover, in a wider sense the definition of transitional economy refers to all countries which attempt to change their basic constitutional elements towards market-style fundamentals. Their origin could also be in a post-colonial situation, in a heavily regulated Asian-style economy, in a Latin American post-dictatorship or even in somehow economically underdeveloped countries in Africa.

In the year 2000, the IMF listed the following countries as transitional economies:

• Albania	• Georgia	• Romania
• Armenia	• Hungary	• Russia
• Azerbaijan	• Latvia	• Slovak Republic
• Belarus	• Lithuania	• Slovenia
• Bulgaria	• Kazakhstan	• Tajikistan
• Cambodia	• Kyrgyz Republic	• Turkmenistan
• China	• Laos	• Ukraine
• Croatia	• Republic of Macedonia	• Uzbekistan
• Czech Republic	• Moldova	• Vietnam
• Estonia	• Poland	

In addition, in 2002 the World Bank defined Bosnia and Herzegovina, and the Federal Republic of Yugoslavia (later Serbia and Montenegro) as transitional economies. In 2009, the World Bank included Kosovo in the list of transition economies. Some World Bank studies also include Mongolia. According to the IMF, Iran is in transition to a market economy, demonstrating early stages of a transitional economy. Eight countries, which joined the European Union on 1st May 2004 (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia) have completed their transitional processes.

HANDLING EMPLOYMENT CRISES IN TRANSITIONAL ECONOMIES

Faced with a jobs crisis, policymakers the world over are digging deep into their policy toolkits to generate more employment. A recent study by the IMF's Fiscal Affairs Department argues that reforms of tax and expenditure policies offer great promise in helping countries confront the jobs crisis, including, but not limited to, in the short term. The study argues that improving employment outcomes, over and above what could be achieved through policies aimed at supporting the demand for goods and services by consumers and investors, requires actively supporting labor demand, strengthening incentives (or reducing disincentives) to work, and expanding training and job assistance, while preserving equity objectives.

The world will soon enter another year of the great recession, and there is no end in sight. In the United States, stagnation continues to reign and over 23 million Americans remain out of work, are involuntarily employed part time or have simply dropped out of the work force in frustration. This was a condition that threatened to result in President Barack Obama's replacement by a Republican candidate which has now proved abortive as Obama has now gained his second time in office.

In Europe, draconian austerity programs now blanket the economic landscape, threatening to impact on the continent's few remaining healthy economies, like Germany's. The third quarter of last year seemed the German industry's worst in the last three years owing to plunging exports to the austerity-ridden countries. Many analysts had been warning that the German government's insistence on imposing barebones budgets on its neighbors to ensure German banks got repaid would eventually have a blowback effect on the European Union's largest economy.

THE BRICS SPUTTER

2012 marked China and East Asia's being drawn, definitively, into the global maelstrom, along with India and Brazil. In late 2008 and 2009, the recession in Europe and the US brought down growth rates in East Asia, but this was only for about a year. By 2010, East Asia and the big "newly emerging economies" known as the BRICS (Brazil, Russia, India, China, South Africa) appeared to have recovered. A big reason was China's \$585 billion stimulus program—the world's largest relative to the size of the economy—which not only pulled the country but also its neighbors in East Asia from recession.

The BRICS were regarded as bright spots in the global economy, exhibiting resiliency and growth even as the North stagnated. Indeed, to economists like Nobel laureate Michael Spence, "With growth returning to pre-2008 levels, the breakout performance of China, India, and Brazil are important engines of expansion for today's

global economy.” In a decade, the share of global GDP by the emerging economies would pass the 50 percent mark, he predicted. Much of this growth would stem from “endogenous domestic-growth drivers in emerging economies, anchored by an expanding middle class.” Moreover, as trade among the BRICS increased, the future of emerging economies is one of reduced dependence on industrial-country demand.”

Recent trends, however, appear to show that the idea that the fate of the BRICS had become decoupled from that of the US and Europe was an illusion. The BRICS’ economies have slowed down, with India’s growth rate this year falling to its level in the early 2000’s. Brazil’s growth on 2011 was under three per cent—lower, as the Economist noted, than sickly Japan’s. China’s second-quarter growth this year plunged to 7.5 per cent, its slowest pace in three years. The main reason for the great BRICS slowdown appears to be the continued great dependence of these economies on Northern markets and their inability to institutionalize domestic demand as the key engine of the economy.

NEO-LIBERALISM VERSUS KEYNESIANISM

With the eruption of the financial crisis in 2008, two approaches from the establishment have competed to address the crisis. In the immediate aftermath of the crisis, the neoliberal University of Chicago Nobel laureate Robert Lucas said, “Every economist is a Keynesian in the foxhole.” By 2010, however, the neoliberals had left the foxhole. But their solution was no solution inasmuch it did not address the issue of ending unemployment and restarting growth. From the neoliberal view, a deepening of the crisis was, in fact, part of the natural order of things, whereby the “excesses” and distortions created by government intervention were wrung out of the system.

What the neoliberals managed to do was to change the narrative or the discourse, playing on the American middle class’ traditional distrust of government, deficit spending, and taxes. Here they were supported by the propaganda machinery of Wall Street, which sought to move the public focus away from financial reform. Instead of unemployment and stagnation in the short and medium term, the “real problem” they said was the debt and the deficit. Massive deficits financed by debt, they warned would ensure a future of debt slavery for coming generations.

Whether in the United States or in Europe, this road offers nothing to the people but more unemployment and stagnation. But with the economic crisis creating an atmosphere of desperation and confusion, the right wing, with its determined attack on government intervention, often succeeded in presenting government rather than unregulated capital as the problem. This was certainly the case in much of Europe in the last three years. Despite initial expectations that the results of the French elections last May would initiate a pro-spending wave, the Socialists recently unveiled an austerity program.

The Keynesians sought to step in the driver's seat with the eruption of the crisis in 2009. Keynesians like Paul Krugman saw unemployment as the key problem, and it was to be banished by massive deficit spending, low interest rates, and loose money policies. The high point of Keynesianism came in 2009, when President Obama, supported by a Democratic Party majority in both the Senate and the House of Representatives, passed a \$787 billion stimulus program, while internationally the G20, which brought together the world's biggest economies, endorsed deficit spending to speed up global recovery.

Obama's cautiousness, however, proved to be his undoing. To appease the right, the administration proposed a smaller stimulus than what some Keynesians, such as the head of the Council of Economic Advisers, Christina Romer, saw was necessary to ignite a sustained recovery, which she estimated at \$1.8 trillion. The \$787 stimulus compromise created what would become Obama's "Bridge too Far": it was enough to prevent the situation from getting worse but not enough to trigger a healthy recovery. As Krugman has pointed out, this half-measure discredited Keynesianism and prompted a vigorous right-wing offensive that has forced Obama to effectively give the right-wing agenda—sharply reducing the debt and the deficit—a prominent place in his economic program for reelection.

Disaffection with Obama was further stoked by the failure of serious financial reform, which had been promised after the huge bank bailout "to save the economy," as its promoters had put it. The Dodd-Frank reform did not have the minimum conditions for a reform with real teeth: the banning of derivatives, a Glass-Steagall provision preventing commercial banks from doubling as investment banks; the imposition of a financial transactions tax or Tobin tax; and a strong lid on executive pay, bonuses, and stock options. As the *New York Times* saw it, "[N]early four years after the crash, and nearly two years since the passage of the Dodd-Frank law, the multitrillion-dollar derivatives market is still dominated by a handful of big banks, and regulation is a slow work in progress."

BEYOND KEYNESIANISM

But as the neoliberals and the Keynesians battle it out, there are those that say that the intersection of the economic crisis and the ecological crisis means that not only neoliberalism but also Keynesianism, with its focus on restoring rapid and high economic growth, no longer suffices as a viable response. Climate change, for one, is changing the terms of the discussion around recovery and growth. This transformation has been speeded up by the urgent statements even of establishment figures, such as World Bank President Jim Yong Kim who recently said that the facts about climate change are "far more frightening than what we think they are."

Progressive environmentalists are steadily making inroads in terms of convincing people that the crisis should be located in the much broader context of a growth-oriented, fossil-fuel addicted mode of production. To analysts like Richard

Heinberg, the intersection of the financial collapse, economic stagnation, global warming, the steady depletion of fossil fuel reserves, and agriculture reaching its limits is a fatal one. It represents a far more profound crisis than a temporary setback on the road to growth. It portends not simply the end of a paradigm of global growth driven by the demand of the center economies. It means the “end of growth” as we knew it. It is, in short, the Malthusian trap, though Heinberg understandably avoids using the term. The gyrations of the finance economy, he says, do not simply stem from the dynamics of capital accumulation but from an all-encompassing ecological disequilibrium.

Perhaps the meteoric rise of the finance economy in the past couple of decades resulted from semi-conscious strategy on the part of society’s managerial elites to leverage the last possible increments of growth from a physical, resourced based economy that was nearing its capacity. In any case, the implications of the current economic crisis cannot be captured by unemployment statistics and real estate prices. Attempts to restart growth will inevitably collide with natural limits that simply don’t respond to stimulus packages or bailouts. Burgeoning environmental problems require rapidly increasing amounts of efforts to fix them. In addition to facing limits on the amount of debt that can be accumulated in order to keep those problems at bay, we also face limits to the amounts of energy and materials we can devote to these purposes. Until now the dynamism of growth has enabled us to stay ahead of accumulating environmental costs. As growth ends, the environmental bills for the last two centuries of manic expansion may come due just as our bank account empties.

The next few decades, Heinberg asserts, will be marked by a transition from expansion to contraction, a process “characterized by an overall contraction of society until we are living within Earth’s replenishable budget of renewable resources, while continually recycling most of the minerals and metals we continue to use.” The future points in the direction of decentralized eco-communities marked by more manageable participatory decision-making, powered by low-energy systems, reliant on cooperatives for production and other economic functions, dependent on organic farming for food, and using non-debt-based currencies for exchange.

Heinberg’s vision of the future is one that has similarities to those laid out in other related paradigms such as Degrowth, Deglobalization, and Food Sovereignty. Such approaches still have to gain traction beyond activist and epistemic communities but as the global economy sinks deeper into stagnation and the climate nightmare takes hold, these paradigms may increasingly inspire movements that will make them a reality.

YOUTH UNEMPLOYMENT

A well paying job or a lucrative business and a secured future seem a distant dream for many as the world is at the brink of tipping into another trough. Youth unemployment, usually higher than the adult unemployment and defined for the age bracket 15 to 24 by ILO, has reached a staggering height all around the world. Globally, the unemployment rate amongst the youth has remained high at 12.6 percent in as per ILO data, steeply rising after the economic crisis of 2008. Fiscal retrenchment in the Euro zone and slowing global economy are adding to the headwinds. Developed countries and especially the European Union have witnessed the bluntest rise in youth unemployment rates since the global financial crisis 2008.

Though regional differences linger, the entire world, including the emerging economies, is facing the challenge of youth employment. With the bursting population and increasing poverty incidence in the country, Pakistan's biggest asset, youth, has become a stark reality not only because of the global recessionary pressures but also its endogenous factors. No prizes for guessing that the ailing educational system is a core reason for the smothering employment status, be it youth or adult population. In the light of what is happening around the emerging world, the younger population in Pakistan is not only the victim of structural unemployment but has also surrendered to underemployment.

The lack of educational facilities especially in the rural areas has been a lingering problem for decades along with minimal access to quality primary and higher education. Skill development has been insufficient, and it does not go without saying that the 15-24 aged youth population is gradually losing direction. An important youth specific challenge is the jittery transition from education to work. This delay in switching from school to labor market has left many young people looking for temporary and part-time contractual employment in the informal sector. Though these jobs do provide them some financial support, many of these jobs are usually underpaid with no job security. The most striking issue within the realm of youth employment especially in the urban canters emerging from the jagged transition, is the incidence of higher unemployment for youth with decent education versus those with little or no schooling at all. Career opportunities in the formal sector are up the creek as the domestic job market is scarred deeply by the fiscal woes of in the country.

With around 60 percent of youth population in the rural areas, the severity of the issue is different there. People living in poverty struck areas, like those of Balochistan and interior Sindh, have been working in miserable conditions as they are left with no choice. Furthermore, the work ethic is informal, agricultural, family owned and rigid which allows no room for development. Injurious to its core, the lack of social protection beleaguers the future of this susceptible generation. With majority of the employed youth in the informal sector, the current state of employment refuses to provide entitlements such as social security, pensions, health insurance, provident funds and other social protection measures.

An issue that has attracted international attention is the wide schism between the participation rates of young males and females. Although the participation of the youth in the labor market has improved and is higher than the adult population, gender disparity is a red herring. On the other hand, male participation is quite higher than female participation in the labor market, when compared to the world and the region. Disbanding the literacy rates gender-wise, it is not astounding that the women in Pakistan are the victim of cultural blockade.

Furthermore, pervasive poverty is a consequence of low labor participation rates by women to some extent, as majority of the working women are generally in the informal markets, earning very little to break the vicious cycle of poverty. Career opportunities are up the creek as the domestic job market is scarred deeply by the fiscal woes of in the country. Labor market and educational reforms are definitely the most essential ways of defusing the demographic time bomb.

Like many of the developing countries in South Asia, the youth in Pakistan has been inflicted with poverty, hunger, illiteracy and unemployment. These distraught conditions lead them into negative activities, wearing down the society. In the short term, the widespread youth unemployment as well as underemployment do not only increase social evils like drug addiction, crime rates and youth felony but also pressurize government budget.

In the medium to long term, the melancholic situation weighs heavy on the mental health and future of this rightly called 'lost generation'. With bleak prospects for future employability and wages, many educated and affluent leave the country in search of better jobs.

Youth employment challenges might look manageable on the onset, but long periods of unstable employment and unemployment have serious consequences on the social stability in the long term.

For a country like Pakistan, labor market and educational reforms are definitely the most essential ways of defusing the demographic time bomb. Side by side, stirring up the private sector and government support are also of core importance. For an overhaul from the grass root level, the issue needs to be attended at a macro level by addressing the educational system in the country. Investment in human capital through formal and informal education and smoothing out the education to labor market transition can go long way.

At micro level, mandatory career counseling and mentoring at the universities, and targeted vocational and skill development could jump start the stalled youth activity. Nevertheless, job creation needs to be broad-based and investment should encourage new and better job creation. The opportunities should purge any gender, location, religious or social divide. Especially, the government needs to prop up women education, job and entrepreneurship prospects as gender disparity in youth literacy and labor participation in Pakistan exceeds that of other countries in the South Asia region.

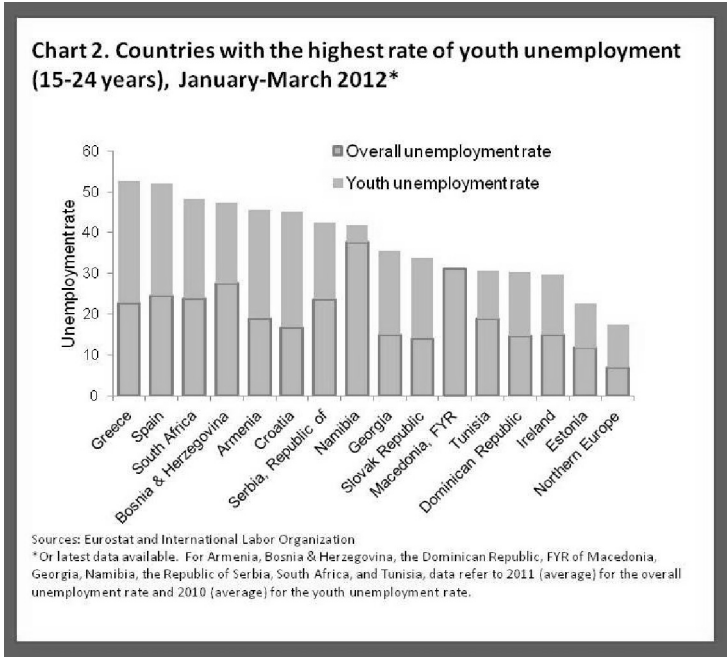
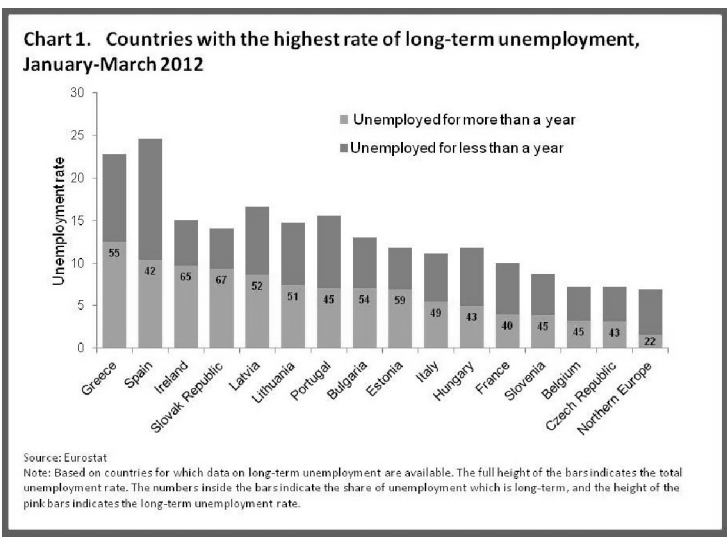
The macro level threat of youth unemployment in shape of social disintegration calls for policies targeted at 15-24 aged young generation. On the whole, the idea should not be restricted to encouraging new avenues for employability; improving the existing structure to wipe out unemployment amongst the blossoming younger generation and assuaging the vulnerable employment should be on the cards too. However, a privation of institutional framework is one stumbling block. Though the issue is a top priority on the country's UN Millennium Development Goals, the efforts seem to lag behind. In its endeavor to address the barriers to job growth, the government has commenced Benazir Bhutto Youth Development Program, monthly stipend with training and credit young people and entrepreneurs respectively.

Other organizations have also extended efforts in promoting skill development, but what remains completely unattended is the unavailability of social protection, job-skill departure and policy initiative. Finally, the resolution of the ongoing energy crisis, which has emerged as a massive threat to the labor market in recent times, and has already brought the economic activity to a halt, should be on the priority list. With a government spending of only 2-3 percent of GNP on education, sadly the youth employment is high and dry!

THE LABOR MARKET CHALLENGE

The economic and social consequences of job losses since the onset of the global crisis have been enormous. However, as bad as the crisis has been for jobs, unemployment was already elevated before the crisis in many advanced and emerging economies. This would suggest that labor market challenges will not go away as the global economy recovers, and that policy measures are needed both to address structural employment issues and to improve the employment outlook in the short term.

Three labor market challenges are particularly important: high rates of long-term unemployment - that is, unemployment lasting more than one year - which is often much higher than short-term unemployment, particularly when compared to Northern European countries that have effectively managed to contain long-term unemployment (Chart 1); high rates of youth unemployment—that is, unemployment among those aged 15–24—which stand at over 50 percent in Greece and Spain and close to three times the overall unemployment rate in a number of economies (Chart 2); and high unemployment rates for unskilled labor, which are much higher than those for skilled labor.



In addition to having a large number of people without a job but searching for one, many countries also have a large share of the working-age population that is no longer looking for employment and thus not participating in the labor market. Non-participation may reflect cultural preferences or being discouraged from seeking work by weak job prospects or a lack of financial incentives. Raising labor force participation over the medium term can help spur economic growth and contribute to fiscal consolidation by expanding the tax base.

POLICY DESIGN MATTERS

These include fiscal policy matters for employment, both in the short term and the medium term. There are several options to improve the design of taxes and benefits that can help boost employment without hurting equity. We may identify the following four areas of potential reform:

1. *Tax wedges*: Cutting the “tax wedge,” that is, the amount of tax as a proportion of take-home pay, works best when targeted to groups that are most responsive to financial incentives: women, workers close to retirement, and the low-skilled. For example, low-skilled workers could be encouraged to work by receiving tax credits that increase their take-home pay. Reducing the tax wedge falling on the income of the secondary earner in a two-income family could encourage both spouses to work. In the short run, lower employer social insurance contributions, targeted to low-wage earners, can be effective in stimulating job creation. More progressive tax schedules (that is, tax schedules where the tax burden rises in percent of income as incomes go up), could also be considered as a revenue-neutral reform that reduces tax wedges for low-skilled workers.
2. *Unemployment benefits*. Tougher job search requirements for recipients of unemployment benefits, combined with intensive monitoring and appropriate sanctions, have been successful in reducing the length of unemployment spells. In particular, where the receipt of benefits has been made conditional on participation in “active labor market” programs (see below), exit rates out of unemployment have increased considerably.
3. *Active labor market programs*. These programs can reduce unemployment by better matching those seeking work with job vacancies. They are most effective if targeted at the young and long-term unemployed. For example, subsidized on-the-job training and apprenticeships have been successful in smoothing the transition of youth from school to work. Targeted wage subsidies have been effective in generating jobs for the long-term unemployed and unskilled. A key lesson, however, is that, beyond targeted and time-limited interventions, merely providing more public sector jobs is generally ineffective in improving employment outcomes.
4. *Pension systems*. Older workers could be encouraged to work longer if their future pension benefits were adjusted fully for extra years of contribution, eliminating the financial incentive to retire early.

Some may argue that the policies we recommend to increase labor force participation would be harmful, rather than helpful - don't the high levels of unemployment we see now mean that there are already too few jobs? The answer is timing - first of all, measures to foster higher labor - force participation will take more time to yield fruit than measures aimed at boosting demand or at improving matching. Further, over the longer-term, higher labor force participation rates, including for older workers, have been shown not to increase unemployment, but rather to be correlated with higher total employment through economic growth.

CAUSES OF EMPLOYMENT CRISES

The tendency to focus more on searching for white-collar jobs is among the leading causes of unemployment among today's educated population. Matia Kasaija, the finance state minister for economic planning noted that the struggle to combat unemployment especially among the young population was being constrained by job seekers' negative attitude towards manual work. "People ought to understand that the days of white collar jobs are behind us, no matter the field of one's education. The global labor supply side far outstrips the rate at which job seekers join the labor market; even then, there is no guarantee that only white collar jobs are ultimate ends to one's financial destiny," he said.

White-collar workers perform professional, managerial, or administrative work, in contrast with a blue-collar worker, whose job requires manual labor. Typically white collar work is performed in an office. "Statistics may vary, but out of every ten youth that complete or drop out of school, six to eight are likely to be unemployed, yet the blue collar job market is enormous and many have rooted financial success through it," the minister argued. He was speaking at function during which Enterprise Uganda, sealed a three year partnership with The Prince's Youth Business International (YBI) to strengthen the former's capacity to train more youth in modern entrepreneurship.

Kasaija appealed to Enterprise Uganda to emphasize changing the young people's mindset about employment by encouraging them to outgrow the tendencies of wanting to start big in business. He was optimistic that the 2011-2020 Skilling Uganda project implementations would lead many youth into the job market for it seeks to boost public appreciation of the Business, Technical and Vocational Education and Training. "Government is acutely aware of the enormous and diverse challenges that the country faces today, with youth unemployment being among the most critical; therefore, going vocational will get more youth into gainful work," he said. According to the executive director Enterprise Uganda Charles Ocici, the organization had trained over 30,000 youths in business since 2007.

He added that the YBI support will help in identifying 2,000 youth across the country per year, train them to positively change their mindset in view of business development. "At Enterprise Uganda, we have witnessed that knowledge is more valuable than money when it comes to building businesses, we have seen training beneficiaries that come to our venues without money, but within less than ten years, their enterprises grow to the levels of employing others," he said. The World Labor Organization puts the number of unemployment globally at 100 million and by 2015, there will be 3 billion people in the world under 25 years in the world.

UNEMPLOYMENT CRISIS IN NIGERIA

According to the World Bank, Nigeria has a population of 40 million unemployed persons. How did the World Bank arrive at this figure? What methods did its researchers adopt? It is shameful that Nigeria's Labor Minister cites the figure with so much glee and without a tinge of embarrassment. That Nigeria has to rely on the World Bank to assess the number of the unemployed among its people is a reflection of the country's underdevelopment. There is a Federal Office of Statistics but it is under-funded and routinely ignored by policy makers.

Nigeria suffers veritably from the ill of planning without statistics. We don't even know how many we are exactly and there is no central database in any of the country's sectors providing basic statistics. The World Bank figure of 40 million unemployed in Nigeria (28. 57%) should be an understatement. Two years ago, the Nigerian position was that about 70 per cent of the population lived below the poverty line. But the politics of statistics aside, 40 million Nigerians having no job to constitute a ready army of dispossessed and alienated citizens.

A double-digit unemployment ratio is enough to result in the removal of a government in a serious country. When US President Franklin Roosevelt introduced the famous New Deal in the 1930s to rescue America from depression, the highest unemployment rate by 1934 was 25%. Forty million is nearly the population of Great Britain. It is more than half the population of France and Italy and more than four times the population of Sweden. Indeed, the Nigerian landscape is crawling with a rapidly mutating population of jobless, able-bodied men and women who are angry, ill, frustrated and whose disempowerment accounts largely for the reign of cynicism in the land, and a high mortality rate.

But the good news is that the Federal Government of Nigeria is sufficiently concerned with the growing rate of unemployment in the country; it has now decided to act. In Nigeria, the global financial meltdown has become the perfect excuse for every distortion in the system, whereas the Nigerian economy was already in the throes of multiple sclerosis long before the global crisis. Prince Kayode admits this much when he noted that attempts had been made by previous administrations to tackle the scourge of unemployment. His verdict: "It is regrettable that in spite of these efforts, socio-economic indicators continue to show that the number of men and women joining the ranks of the unemployed working poor and those in vulnerable groups is perpetually on the increase".

But what is being proposed is a hideous joke - a National Employment Council (NEC). Brief: to develop strategies for tackling unemployment in Nigeria. Membership: drawn from the Nigerian Employers Consultative Association (NECA), Trade Union Congress (TUC), Nigeria Labor Congress (NLC), International Labor Organization (ILO), Employment and Wages Commission, National Productivity Centre (NPC), National Directorate for Employment (NDE) and National Poverty Eradication Program (NAPEP) with the Minister of Labor as chairperson. Everything is wrong with this idea.

It is simply another bureaucracy. To solve the problem of unemployment, the Federal Ministry of Labor does not need to organize summits, workshops, talk shows or meetings which would constitute another source of leakage. In what ways would the National Employment Council (NEC), be different from the National Directorate on Employment and the National Manpower Development Board, two existing structures whose monumental failure speaks to the inefficiency of government? And shouldn't the state and local councils be more concerned about addressing unemployment? Is Minister Kayode under the illusion that his Ministry and the Federal Government can provide a solution that will reduce unemployment in all the 36 states of the Federation? We suspect so.

SUMMARY AND CONCLUSION

This paper is an exploratory study to examine employment practices and related crises in transitional economies presents the theoretical background and literature review of the contemporary transitional economies; and it highlights examples of economies in transition. Next, the paper explores employment problems in the transitional economies and it examines the ways and means of tackling job crises in some transitional countries particularly in Asia and Europe. A transitional economy is said to be an economy which is changing from a centrally planned economy to a free market economy. Transitional economies is also said to undergo economic liberalization, where market forces set prices rather than a central planning organization. It was also noted in the paper that the transitional process has been applied in China, the former Soviet Union and Communist bloc countries of Europe, and many third world countries while detailed work has been undertaken in many quarters on its economic and social effects. In the paper, indicators of transitional economies were mentioned as liberalization, macroeconomic stabilization, restructuring and *privatization*, and legal and institutional reforms.

This paper further affirms that transition trajectories can be idiosyncratic. Some nations have been experimenting with market reform for several decades, while others are relatively recent adopters. In some cases reforms have been accompanied with political upheaval, such as the overthrow of a dictator, the collapse of a government, a declaration of independence, or integration with another country. In other cases economic reforms have been adopted by incumbent governments with little interest in political change. Transition trajectories also differ in terms of the extent of central planning being relinquished as well as the scope of liberalization efforts being undertaken. The paper went ahead and highlighted instances of economies in transition quoting the IMF to include , Albania, Armenia, Azerbaijan, Belarus, Bulgaria, Cambodia, China, Croatia, Czech Republic, Estonia, etc. After this, the paper discusses the ways and manner of handling employment crises in these economies with some emphases on Nigeria and some other similar economies in transition without forgetting to mention instances of unemployment and under-employment circumstances.

The major conclusion that may be drawn from this paper is that all participants; individuals, groups, government, non-governmental and international communities must be alive to their responsibilities to wipe out all cases of employment crises from the economies particularly the less developed ones. For the purpose of this, an employment crisis may be both internal and external to an organization or an economy. It is internal when it is directly related to employment terms and conditions between the employees and employers. However, the crises is said to be external when they relate socio-economic and political dimensions of a nation. Such crises situations are caused by over population, low level of technology, poverty, and the likes which fall within the purview of the government and other external communities. Hence, there have to be control mechanisms such as birth control as well legalization and regulation of the economy so as to motivate industrialization, and other aspects of development in all ramifications.

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GENDER INEQUALITY IN EMPLOYMENT, MANAGEMENT AND DECISION-MAKING AND INCENTIVES OF EUROPEAN INTEGRATIONS

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Abstract

One of the basic principles of the European Union is an improvement of the position of women in society and a development of gender equality principles in all areas of public and private life. Considering the fact that Serbia is on its way towards becoming an EU member, laws that support gender equality have been adopted. However, despite the fact that the laws guarantee and protect womens' rights and gender equality, women are still being discriminated against, based on gender, especially in economic and political areas. Accordingly, this paper will point out the specific and concrete problems of women on the labor market in Serbia, as well as their participation in political institutions and processes of decision-making, with a comparative analysis of the EU member countries. European experience teaches us that we cannot reform the public policies of Serbia without increasing the political and economic participation of women. Unfortunately, statistics and research show that women in Serbia are in a very bad economic and political position, with low economical activity, a higher unemployment rate, lower incomes and rate of representation in managing positions, as well as being disproportionately represented in positions for political decision-making. These significant differences are also visible in the areas of self-employment and entrepreneurship, where the number of female employers is significantly smaller compared to the number of men in the same positions. Women also have problems with self-employment, since they very often lack an independent approach to capital, assets and loans.

Keywords: *women, labor market, decision-making, managing, discrimination, Serbia, European Union.*

INTRODUCTION

Women's rights are an inseparable part of universal human rights, and these have to be respected, guaranteed and protected, based on international documents. Thus, it is very important to recognize and prevent discrimination of women, especially in the cases of indirect and implicit discrimination. The reasons for an unsatisfactory position of women in Serbia today are several years of continuous devastation of society and inter-social and structural relations of power which are based on relations of men, but also the effects of the recent economic crisis, which altogether deepen the strife between genders, and the disproportionate waste of female resources (Djuric-Kuzmanovic, 2010:72). Therefore, the political and economical trends of today help in the employing of women and their exposure to various economic and social problems. The transition in Serbia has brought various problems in all aspects of social relations and structures, and thus also in gender relations on the labor market. There has been a fundamental increase of inequality of men and women in the transitional period in Serbia in all spheres of public and social life, but especially in the area of employment. The very concept of work is changing; vaguely defined employment contracts and atypical forms of employment are increasing. All these conditions which have changed the labor market have negative aspects especially on women. On the other hand, balanced economic growth is not possible without an adequate use of female human resources, which encourages woman to be included into the market economy by special measures.

It has long been considered that the differences in the social positions between men and women are natural, in accordance with the differences between the sexes. Even today some people consider a division of work between males and females natural. Since it is natural for women to give birth, it was also considered natural that women need to raise children, and by that analogy, men, who are physically stronger, had the responsibility to earn more money, as heads of the family and the decision-makers. It is, however, now clear that there is nothing natural about this division, and that it has never been a result of nature, but a result of social circumstances (Petrusic, Beker, 2012).

The causes of gender inequality in both the public and private spheres are based on a work process division based on gender, and are deeply rooted in a lack of changes in gender roles, parallel with changes in these processes on the market and economics. Women are frequently in low positions and in poorly paid jobs, with weak or few possibilities for advancement, and are also employed within the so-called gray zone. Such economic inequality strongly influences gender differences in personal incomes, which also directly influences the increase of insecurity and vulnerability of women, especially in single-mother families. The status of women on the labor market in Serbia has been getting worse and worse during the post-socialist period. The crash of socialism and the collapse of society during the 1990s was also a beginning of a natural exclusion of women from the labor market. Thus, women began moving into the private sphere, also taking care of their family in a very hard time for society and a deterioration of all standards

and a collapse of social welfare institutions. After the year 2000, the status of women became even harder, and their position in society became even more complex due to privatization and economical reconstruction.

Unfortunately, this form of social inequality did not attract enough attention, which is the reason why discussions about gender equality often end by statements such as: “Why be so persistent to involve women into decision- making processes and politics?” meaning: “Does it really have to be as many as 30 percent of women?” etc. But, as Marija Bozovic says, “Even the most hard-core defenders of the idea that gender equality is a total fabrication by feminists have to mitigate or moderate their allegations after being confronted with strong evidence about gender inequality” (Babovic: 2010: 16). Thus, in this paper we attempt to point out the fact that the inequalities in the areas of labor, management and decision-making are very strong and visible, and that they are not an issue of lesser importance than other problems in today’s society.

DISCRIMINATION OF WOMEN IN THE AREAS OF EMPLOYMENT AND LABOR

There is very little data about economic inequality in Serbia, and the usual indicators taken as arguments are data taken from the relative status of women and man on the labor market. On the other hand, only from 2005 have data and statistics about the position of men and women in Serbia started appearing, when the Institute for Statistics began publishing facts which for the first time showed the real position of women in comparison with men. However, the problem is that the statistics lack information, such as those regarding the status of female members of national minorities and marginalized groups, such as Roma women, exiles and refugees, immigrants, single mothers, women from rural areas, and mentally instable women, among others, as well as some other kind of facts, such as real-estate property ownership based on gender (houses, apartments, land, etc.), unpaid jobs carried out by women, etc. Considering the fact that these indicators are still not a focus on the national and local level, our awareness about the inequality between men and women remains limited, based on the information about employment and unemployment.

Furthermore, we will try to map out and analyze the status of women on the labor market, based on data from the publication *Women and Men in Serbia*, from a poll on the work force, and attempt to compare these facts to those in EU countries. An analysis of labor market indicators includes the analysis of the level of activity, inactivity, employment, unemployment of men and women in Serbia, compared to the EU. Women are shown to be especially distinguished at a low level of activity and a high level of inactivity, which implies their significant

representation in the category of the inactive population (Table 1). The reasons behind these disproportions can be found, above all in patriarchal patterns of behavior. Women are traditionally tied to the family and the household, and men are mostly set in the role of food providers (Pejic, 2011:652).

Table 1. *The activity and inactivity rates according to gender for the working age population in Serbia from 2004 to 2010.*

Labor market indicators	Activity rate	Activity rate	Inactivity rate	Inactivity rate
year	women	men	women	men
2004	57.9	75.1	42.1	24.9
2005	56.2	74.3	43.8	25.7
2006	54.5	72.7	45.5	27.3
2007	54.9	71.9	45.1	28.1
2008	54.1	71.3	45.9	28.7
2009	52.8	68.4	47.2	31.6
2010	50.6	67.2	49.4	32.8

Table 2. *Unemployed persons according to gender, 2006-2010 (in %) in Serbia.*

Years	Unemployed women	Unemployed men	Registered unemployed women	Registered unemployed men
2006	51	49	54	46
2007	51	49	54	46
2008	51	49	54	46
2009	49	51	53	47
2010	46	54	52	48

These facts show that the labor market in Serbia is marked by a declining level of female activity, and thereby, a high level of female unemployment. Also, women make more than 50 percent of those waiting for their first jobs. Thus, despite the fact that unemployment is a huge problem on the labor market, which affects both men and women, there are still many more unemployed women for longer than one year (69%), compared to men (65.5%). Thereby, the greatest increase of the level of female unemployment is in the category between 41 and 50, and those over 50 years old. The probable reason for that can be related to the fact that technological development and the reconstruction of the economy mostly affects this category of women, due to a lack of required know-how and skills which makes them less capable of responding to job demands and adapt to various changes and innovations. One of the limiting factors is also a slow growth of the economy, which, together with the conservative growth of traditional cultural orientations, offers no contents to women, who then need to return to the family or escape into the gray zone (Novakovic, 2010).

However, the fact that women are a minority in the work force in no way implies that they work less. On the contrary, the daily jobs and duties of women within their households and their care of family members are a great load, as well as being hard and underpaid jobs and at the same time, socially underrepresented and underestimated. The data of the National Employment Office (2011) show that there were 756,255 unemployed persons in the first half of 2011, of which 394,963 (52.2%) were women. Also indicative is the data in the publication *Women and Men in the Republic of Serbia*, by the National Statistics Institute (2011): women made 80% of those who voluntarily quit their jobs to take care of family members, and 98% of those whose only work was taking care of the household. In 73% of the cases, the heads of the households were men, while only 27% were women. Almost a half of all the pension-holders were women, while two-thirds of those receiving invalidity pensions were men. In both of these categories, women's pensions were lower, 18% less of the age pensions, and they held 14% lower invalidity pensions.

The areas of industry in which women are the majority are also the ones where they are the most underpaid and undervalued. These are education, health and social protection, trade, financial activities, and the processing industry (Table 3). Even in those areas, the managing staff is mostly men.

Table 3. *Employed persons according to sectors of activity and gender, 2010 (in thousands).*

Activity sectors	Women	Men
Total	1023	1373
Agriculture, forestry, fishing	214	319
Mining	3	20
The processing industry	132	270
Construction	16	105
Retail	169	157
Transportation and storage	28	98
Information and communication	17	31
Education	106	53
Health and social care	128	30
Public administration and compulsory social insurance	47	73
Art, entertainment, recreation	13	24
Other services	21	26
Financial and insurance activities	28	17

One more indicator of the economical inequality between men and women is reflected in the differences in the amount of pay for the same work. Women make less money, due to the fact that the market has always treated them as temporary or part-time workers, devalued their work and kept their pays low albeit sufficient for

that work category (Galic-Nikodem 2007). Thus, the average earnings of men were higher than that of women in mostly all the categories, but especially in those where women are the majority of employees (education, health, social services, finances, insurance, etc.). The National Strategy for Improving the Status of Women and their equality with men contends that difference in pay between genders is 16% in favor of men. The National Statistics Institute claims that highly educated woman earned 16,368 RSD less than highly educated men.

Table 4. Average earnings of employees in companies according to sectors of activities and gender (in thousands of RSD), 2010.

Activity sectors	Women	Men
Total	50.049	53.782
Agriculture, forestry, fishing	37.432	41.166
Mining	61.387	66.178
Processing industry	37.871	46.250
Construction	45.921	45.765
Retail	43.518	54.258
Transportation and storage	49.978	52.085
Informing and communication	64.613	69.113
Education	48.300	54.898
Health and social care	48.437	59.415
Public administration and compulsory social insurance	57.783	60.148
Art, entertainment, recreation	44.567	49.919
Other services	60.685	43.934
Financial and insurance activities	97.472	118.031

On the other hand, according to Eurostat data, the differences in the gap between salaries in 27 European countries in 2009 was 17%, women being paid less than man for that amount, for the overall gross takings per hour. The greatest difference in income among genders has been recorded in Estonia (30%), and the lowest in Italy (4%).

Along with these differences, there is great and extensive discrimination at work based on the complaints reported to the Ombudsman for protection against harassment at work during the last year. The complaints indicate there is a problem of sexual harassment at work, as well as stressing the problematic practice of delegating women to lower and less paid positions after their return to work following maternity leave. What is also of concern is the fact that job offers and ads very often contain discriminatory contents, violating equal rights and equal employment possibilities. Usually there is a requirement for a specific gender or an upper age limit is set, despite the fact that the job can be done by a person of any age or sex. What is also common is the practice of threatening women with dismissal in the case of pregnancy, or relating the intention of being pregnant to eventual employment. Following a similar logic, employers tend to give the same job to men, if it is concluded that a woman with children would be absent from work frequently, or even give birth in the future.

Unfortunately, research has shown that half of all the women were not informed that during the job interview the employer has no right to ask the job candidates questions about their marital or family status.

On the other hand, the National Statistics Institute carried out a research in 2011 about the compatibility between family and professional life. According to this research, it is more frequent that women (63%) in comparison to men (37%) reduce their number of working hours due to lack of help in raising children. Women are also the ones who more often consent to stop working, although already in regular employment, in order to raise children. This occurs due to the fact that there is a deeply rooted common view that it is the job of a woman to bring into line the balance and the many commitments in a person's private and professional life, despite the fact that this should be solved on the level of the entire community. One of the most important prerequisites to balancing private and professional lives is the existing of appropriate services in the community, which make this kind of responsibility more appropriately distributed and shared. Also, it is necessary to give support and encourage an equal division of work and commitments between men and women (Secular, 2012).

And at last, despite the lack of methodical data with which we could have precise insight into the status of women from the marginalized social groups, it is without doubt that women with specific needs, Roma women, single mothers, internally displaced persons and refugees have a very demanding social status and added problems on the labor market. They are deprived of rights in two ways; by belonging to marginalized social groups, which have very little if any access to the key institutions of society, and also due to gender identity, which is turning out to be a vitally significant aspect of the differentiating and low status of women even in socially integrated parts of the population (Babovic, 2007). For example, in referring to the female population, there is a significant percentage of disparity in the unemployment of women coming from these groups (compared to the average percentage of female unemployment, refugee women are have a 15% higher unemployment rate, displaced women 30%, and Roma women the rate of 39%).

The European Union has developed work-intense surveys of the labor force, offering numerous data which deal with gender-sensitive comparable data in EU member countries (EUROSTAT).

Table 5. *The activity, employment and unemployment rate of the working age population according to gender, 2007-2009, EU.*

Indicator	2007	2007	2008	2008	2009	2009
	men	women	men	women	men	women
Activity rate	77.7	63.6	77.9	64.1	77.6	64.4
Employment rate	72.7	58.7	72.4	59.2	70.3	58.5
Unemployment rate	6.6	7.8	6.6	7.5	9.0	8.8

We can trace the increase of employment of women in the EU, especially during the period between 2003 and 2008. The percentage of unemployment in that period of time increased from 55% to 59.1%. In 2011, the female unemployment rate was 9.8%, and the male unemployment rate was 9.6%. The latest data from EUROSTAT tells us that in the March of 2012, the female unemployment rate was at the level of 10.3%, and for men it was 10.2%. When each member country is considered on its own, the lowest unemployment rates have been registered in Malta, Greece and Italy, and the highest ones in Denmark and the Netherlands. All this data supports the fact that the EU has made some serious efforts and brought in results in regards to the differences in the unemployment rates between men and women, especially if we bear in mind the fact that in 2000, the unemployment rate was around 10% for women and 8% for men. Also, the new EU members, Bulgaria and Romania, have increased their employment levels, reaching up to 57.6% of the employed women in Bulgaria and 52.8% employed women in Romania, which also shows how these encouraging measures of employment in the EU have a direct effect and show improvement. Namely, many of the EU states have focused their attention on a better use of specific male and female skills and know-how, including the ensuring of a better balance between the private and professional life (for example, the parental leave for either the father or the mother, an equal treatment for self-employed mothers and spouses, ensuring the existence of appropriate child care, flexible working hours, etc.).

In addition to the above, gender inequalities exist even in the area of entrepreneurship and self-employment. Namely, there are a far less number of women employers than men in this category. One of the possible causes for this is the fact that women tend to be more inclined to take on jobs and positions with more security and less inclined to undertake the risks which private entrepreneurship entails. The number of self-employed men is twice the number of women (in the ages from 15 to 64, 28% of men and 14% of women are unemployed), so that women make up less than a third from all the self-employed persons.

Table 6. *The structure of the employed according to employment status, age and gender, 2010 (in %).*

Employment status	15+ women	15+ men	Age 15-64 women	Age 15-64 man	15-24 women	15-24 men	55-64 women	55-64 men
Total	100	100	100	100	100	100	100	100
Self-employed	16	31	14	28	14	18	21	40
Employed workers	71	65	75	68	75	68	55	58
Assisting household members	13	4	11	4	11	14	24	2

On the other hand, regarding female entrepreneurship in the EU countries, the past years have noted an increase of female entrepreneuring activities and it is a fact that now women are the owners of 25% of the total amount of EU firms (Kolin, Cickaric, 2007: 112). Numerous EU programs which encourage and follow female entrepreneurship have had an impact on the increase of women's actions in starting up business and entrepreneurship activities (Tanjevic, Opacic 2012).

DISCRIMINATION IN THE AREAS OF MANAGEMENT AND PUBLIC AND POLITICAL DECISION-MAKING

Women make a little over half of the population (51%) and on a global level, they hold around 30% of decision-making positions. This data is even more unsettling if we consider the fact that the number of highly educated women is equal to that of men, which makes women a valuable human and intellectual part of mankind which is inadequately used. Many analyses show that both on the local and national levels, the number of women in decision-making positions and their participation in different kinds of delegations is not even close to the recommended quotas from the Gender Equality Law. The difference becomes even greater when big firms and companies are in question, so we can say, generally speaking, that the public sphere in Serbia can be characterized by a huge unequal representation of genders in managing positions.

The Law on the Election of Deputies and the Law on Elections clearly stipulate that the minimal percentage of women on the election lists must be 30%. The same laws unfortunately lack to provide compliance to these rules when it comes to the actual appointment of deputies in the same percentage. However, the Law on Gender Equality in articles 35, 36, and 37, makes specific statements about equal possibilities of participation in public life, as is also recommended by the principle of equal representation in public authorities. The Law determines a liability for political parties and labor unions to ensure once in every four years a platform and plan in order to ensure gender equality and all the necessary measures for encouraging an equal representation of men and women in political parties, unions, and especially when making lists for candidates for representatives in all the public services and authorities.

When it concerns female participation, we speak about the need and possibilities for their voice to be heard and to have the opportunity to create political decisions and wield power. However, women are still an enormous minority in Serbian political life, as the prevailing attitude is that the status of women is reserved more for the private than public spheres of society. Official statistics confirm this. Nowadays, there are only 5 out of 19 women members in the Serbian Government, which is 26.3%. In the beginning of 2011 this number was only 18.5% at ministerial positions, 22.7% among state secretaries, and 42.6% among deputies of ministers. After changes in the government, in March of 2011, the number of women among the ministers was reduced to a mere 15%, while the participation of women in secretarial positions increased to 25.4%, and together with the number of female deputies of ministers, some 46%. In its last mandate, the National Assembly of Serbia had 53 women parliament members, one president of the parliament and three vice-presidents. Among the presidents of the parliamentary groups, there was only one woman, and among 87 presidents of political parties, there were only three women. Of 150 municipalities in Serbia, only 10 presidents were women, and of 23 mayors, only one.

The administration of the Department for Gender Equality in the Ministry of Labor and Social Welfare carried out a research during 2012 called *Decision-making on a Local Level*. This research gathered data from 65 municipalities in Serbia and showed that women are underrepresented both in representative bodies (23.9% of councilors), and in local authorities (15.17%), and in the councils of smaller local communities (13.24%). Women in management amounted to over 30% in public firms (34% of the managers) but it has been stressed that there is gender segregation in the companies managed by women as regards to positions or functions.

One of the strongest moves towards increasing female women participation in the public and political life of Serbia was made by bringing the *Law on Amendments to the Law on the Election of Deputies* (2011). This law stipulates that every third candidate must be a woman, but it fails to provide compliance in the cases when a member of the less represented gender ceases to carry out this function, and it is to be refilled with a person of the same gender.

The burden of responsibility for women in the private area of life, and the prevailing patriarchal, conservative attitude that “politics is not for women” has a *de facto* impact and complicates the improvement of women’s access to managing and decision-making. That is why they are insufficient opportunities to influence the decisions which would improve their position. Even when practicing high-level responsibility and powerful jobs, women are actually forced to “become one of *them* – i.e., *men*” (Blagojevic, 2010, p. 182). Women in transitional countries often lack basic resources and informal networks which would eventually provide them with better social positions and managing positions. That is the reason why there is the concept of a so-called glass ceiling for women, according to which they can occupy certain managerial positions, be highly-placed associates and assistants, but the positions of directors, CEOs, and ministers are mostly reserved for the members of the male sex. There are some exceptions, of course, but not enough to disprove the rule.

Even in EU countries, the situation in this area is not much better, due to the fact that only a third of all managers in the EU are women, with the highest percentage in Latvia, 44% and Lithuania, 43%, and the lowest in Cyprus, 14% and Malta, 15%. Generally, even the most developed western countries have a small number of women in managerial and other high positions and they do not participate enough in institutions where there is decision-making, that is, in the areas of politics and economy. That is paradigmatically interesting, knowing that an active participation of women in politics, and highly responsible positions in public services are actually the basic factor of the improvement of the status of women in any given society.

On the other hand, the participation of women in the parliaments of EU countries in the last decade has risen from 16% in 1997, and to 24% in 2007. A drastic change took place in Belgium, where the number of women in the Upper House of Parliament rose from 12% in 1997, to 35% in 2007. This rise is a direct result of a positive direct intervention by the state and the Parliament, whereas in 2002, legislation was adopted which supports parity and gender equality among the candidates on election lists, as well as on open lists on which the first two names must be of both genders (Kolin,

Cickaric, 2010, 113). Countries such as Belgium and Spain have a quota system that encourages female participation, which now make up to 37% of the membership. Also important is the fact that of 27 EU countries, 8 of them had women prime ministers. The participation of women in government cabinets is increasing, though this is not a common case in all the countries. Positive examples exist in the Scandinavian countries (Sweden, Norway and Finland) but also in Great Britain, Germany and France. On the other hand, the negative examples are Slovakia, Greece, Turkey and Romania, which have very little, if any, inclusion of women in these positions.

Finally, we must not forget that equal and even participation is one of the foundations of democracy and it is guaranteed as one of the basic human rights. Making better conditions for women in ensuring their equality and encouraging them to participate in decision-making processes leads to a more stable and peaceful society in which all aspects of human needs and rights are included. It also encourages transparency in decision-making and a proper distribution of power and influence within society.

THE LEGAL FRAMEWORK FOR THE PREVENTION OF DISCRIMINATION OF WOMEN IN THE SPHERE OF WORK, MANAGEMENT AND DECISION-MAKING

The prevention of gender discrimination in the workplace is very important in order to ensure the implementing of a non-discriminating policy. An analysis of the legal frame which regulates employment and labor activities in Serbia shows that equality is legally guaranteed on the labor market. The Constitution of the Republic of Serbia (2006) guarantees equality of women and men and the principle of equal possibilities. Also, the Labor Law (2005) forbids by its special provisions any form of discrimination of employees and persons seeking employment, based on their specific individuality, including gender, pregnancy, health, marital status, family obligations, sexual orientation, economic status, etc. This law forbids discrimination, both connected to hiring and to work conditions and the implementing of rights regarding labor.

In the area of anti-discriminatory legislation, there is a Law on Prohibiting Discrimination (2009) which is of a special interest for this area. For example, Article 16 of this law regulates discrimination in the area of work in the case of violating equal possibilities for employment or guaranteeing the same conditions in the area of work, such as the right to work, a free choice of employment, career promotion and advancement, professional development and rehabilitation, equal fees for equal amounts of work, equal and reasonable working conditions, right to a vacation, education, union membership, and unemployment protection.

Article 20 of this law entitled “Discrimination based on gender” stipulates that discrimination exists in those cases which violate the gender equality principle, and is contrary to the equal rights of women and men in political, economical, cultural and other aspects of public, professional, private and family life. It is forbidden to restrict these rights or carry out a public or veiled recognition of favoring any gender or exercise discrimination due to gender-change. In regards to the discrimination of women and related to compound discrimination which women are usually exposed to, it is significant to point out that Article 23 of the same law relates to discrimination on the basis of age. Namely, this article in its first paragraph explicitly stipulates that it is “forbidden to discriminate against somebody solely due to their age”, which can be of importance in cases related to the discriminating of women in the employment processes.

The fact that Serbia is in the process of joining the EU implies that there is a need for a harmonizing of laws and other documents with EU regulations, related to gender equality and the overall improvement of the status of women in society. As a result, numerous national documents in the area of gender equality have been adopted - the Law on Gender Equality (2009), the National Strategy for improving the status of women and promoting gender equality (2009 – 2015), and the Action Plan for the implementing of the National Strategy for improving the status of women and promoting gender equality (2010). Related to that, the Law on Gender Equality obliges public authorities to lead an active policy of equal chances and carry out the realization of fulfilling the principles of equality in all areas of social life, along with the implementation of international standards and rights guaranteed by the Constitution in this area. The Law also regulates the areas of employment, health protection, family, education, culture, sports, political and public life and judicial protection.

The National Strategy for improving the status of women and promoting gender equality was adopted in February 2009. This document establishes and enforces a consistent state policy in order to eliminate the discrimination of women and improve their position and integrate the principles of gender equality in all the areas of work of the legal institutions, considering it is one of the elements of the modernization and democratization of society. The Strategy defines six areas in which it is needed to make progress: the improvement of economic growth, improvement of health, a higher level of inclusion into decision-making processes, into executive government and public authorities, equal rights education, fighting against violence and the eradication of gender stereotypes in the media. The European Commission, however, has stated that the application of this strategy is still slow, and that women who are invalids, single mothers, older women and women who live in rural areas are still mostly exposed to discrimination.

The high priority strategic goals of politics in the aim of improving the status of women and promoting gender equality in the Republic of Serbia are following:

- The exercise of rights of women to participate in decision-making along with men;
- The eradication of economic inequalities between men and women, the elimination of open and veiled discrimination and better use of female resources for socio-economical growth;

- Establishing gender equality and integrating a gender perspective into the educational system;
- The prevention and elimination of all types of violence against women and providing a comprehensive system of protection for women - victims of violence,
- Establishing equality of gender in the media, eliminating gender stereotypes and eliminating misogyny – hate speech from the media.

The Action Plan for the implementation of the National Strategy for improving the status of women and promoting gender equality has established activities which are to be implemented during 2010 – 2015. The suggested activities should provide the following:

- To increase the number of women participating in representative bodies of authority on all levels;
- To increase the number of women in authority, and leading positions in government administrative and public services;
- To institutionalize mechanisms for gender equality and active inclusion into processes of decision-making;
- To create conditions for female participation from compound discriminated social groups in public and political life;
- To strengthen the capacities of institutions by raising the level of awareness and knowledge about gender equality in political and public life;
- To create systematic preconditions for the politics of equal chances in the economy;
- To support female employment, female entrepreneurship and self-employment;
- To reduce economic inequalities which are the consequences of compound discrimination;
- To strengthen the capacities of all the factors of economy and society in order to eliminate gender discrimination and built better conditions for using female resources.

The Republic of Serbia has signed several important and requisite international documents which guarantee the equality of women and men and prohibit gender discrimination. The most important documents among these are the documents of the Council of Europe – the European Social Declaration and European Convention for Human Rights and Freedom Protection, and also UN documents, among which the most important is the Convention on Eliminating of all forms of Discrimination among Women (CEDAW). This convention defines the activities which must be carried out by the state governments in order to eliminate discrimination of women in politics and provide a total inclusion of women into decision-making processes. Article 7 of the Convention defines the obligations of the states towards women in order to provide them with the use of their electoral rights, and participate and create government politics, as well as to participate in the work of all the non-governments organizations and institutions which deal with politics.

Along with these conventions, several other important documents have been adopted under the auspices of the United Nations, concerning women's political rights

and their participation in political life: the Convention on the Political Rights of Women (1952), the International Pact on Civil and Political Rights (1966), the Universal Declaration on Democracy (1997), Resolution 1325 of the UN Security Council (2000), the UN Millennium Declaration (2000), Resolution 58/142 on Women and Political Participation which underlines the importance of creating a political will on the improvement of participation of women in decision-making processes.

The documents adopted on the EU level are of special importance for Serbia (in the EU, gender equality is a principle of EU foreign policy). The Charter on Principal Rights of the EU stipulates that the EU is based on undivided, universal values of human dignity, freedom, equality and solidarity. Chapter III – Equality, in Article 21 regulates the principle of prohibiting discrimination (among others, also gender-related discrimination), while Article 23, entitled Equality between Men and Women provides that equality between men and women must be ensured in all areas, including employment.

Besides the Strategy on Equality of Women and Men (2010 – 2015), which was adopted by the European Commission and other EU documents related to equality, there are four basic principles which define the building of equality of women on the labor market:

1. Equal treatment in the process of employment, professional development, working conditions and opportunities for promotion (Directive 76/207/EEC from 1976, on the implementation of principles of equal treatment of women and men in terms of access to employment, professional development and training, complemented by Directive 2002/72/EEC from 2002);
2. Equal pay for an equal amount of work or work of equal value (Directive of Council 75/117/EEC from 1975 on the harmonization of the Laws of the Member States related to the application of the principles of equal salaries for men and women);
3. Special protection of pregnant women and new mothers (Directive of the Council 92/85/EEC from 1992 on the introduction of measures of encouragement of higher security and better health concerning mothers and pregnant women);
4. Protection of the self-employed (Direction of Council 86/613/EEC from 1986 on applying the principles of equal treatment of men and women engaged in some activity, including agriculture and self-employment and protection of self-employed women during pregnancy and after labor).

CONCLUSION

Gender Equality implies that women and men are equally present in all the areas of public and private life and that they have equal status, equal opportunities for exercising all rights and an equal benefit of the results they achieve. Despite the fact that Serbia has adopted the laws that support Gender Equality, statistics and research show that there is still a large amount of discrimination of women in political and economical life, especially on the labor market, and that there are many areas of activity in society where women have still a long way to go in order to fight for their rights and equal status with men. Those accumulated problems and disadvantages inherited from earlier generations have continued to be present and have even multiplied in the transitional period, which have led today's women into new specific areas of gender inequalities, making them even twice more endangered: both at home and at work. Many connected indicators concerning the status of women in Serbia show that this country belongs to the group of countries with a high level of gender inequality, in comparison with EU countries. Statistics show a very unsatisfying social and economic position of women in Serbia, which means a very high level of unemployment, lower incomes, and longer waiting periods for jobs, high poverty risks, and a low level of economic and political activity as well as a low rate of representation of women in political institutions. Significant gender-related difficulties can be seen in entrepreneurship and the self-employment of women, while the obstacles in self-employment are usually the following: a lack of investment capital, basic insecurity, credit disability, a lack of support on all the levels, and a lack of know-how and skills needed for entrepreneurship. That is the reason why cooperatives as associations are recognized as a potential for alternate employment of women, as an economic model for empowering the sensitive groups in any given society. Also, everyday practice shows a disproportional representation of women in positions of decision-making, and basically at all the positions of management and power. On the other hand, social marginalization and a lack of resources increase the risk of poverty concerning discriminated and marginalized groups of women (Roma women, invalids, refugees, single mothers, etc.), while these women also have additional difficulties on the labor market.

All that has been said implies a strong need to create better and more comprehensive measures of encouraging women in employment and improving their position on the labor market, with the possibility of a compliance of professional obligations related to the care of family members (children, elderly family members, etc.), and with support for career development through mentoring, education, and other ways of building awareness and encouraging women in career advancement. What is also considered necessary is the need for a systematic following of conditions in terms of position on the labor market and gender equality, developing active measures of employment via the National Strategy of

Employment and other special measures and projects, as well as through adopting other strategies that strongly influence the status of women in society.

All this demands a joint and organized effort and work of all public institutions, the private sector and NGOs, but also mutual cooperation and an exchange of experiences between women themselves and their organizations and communities. In this case, the National Employment Office is an institution of special value and importance, together with the Ministry of Labor and Social Politics, as well as other institutions of a civil society, through a continuous raising of the level of consciousness concerning these problems.

It is very important to understand that the resolving of the issue of female inequality is an imperative for society, that it is related to all areas of life and society, and that it should never be underestimated or at any moment considered redundant. However, the empowerment of women inside society and building equality between the genders directly entails the development of the society as a whole, in all its areas of existence.

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ROLE OF PENSION FUNDS IN THE FINANCIAL SYSTEM OF SERBIA

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Abstract

Although the pension system, social security and health care have always been important factors for economic growth and development, they have recently come to the fore. Pension funds in developed countries, are important financial investors. Significant resources of these financial institutions are invested in the capital market, which encourages the development of financial markets themselves. In developed pension systems besides the pension plan as part of social insurance, available to the individuals are plans that can mostly provide a significant portion of their total compensation, such as employer-sponsored plans or individual pension plans.

The aim of this study is to review the functioning of the pension system in Serbia, which will likely, have an important place in our future reformed pension system. Descriptive statistics and comparative method has been used in the paper. The survey results point to the necessary reform of the public pension system and the increasing usage of private pension funds in Serbia

Key words: *Pension system, Pension compensation, Social security system, Pension funds, Financial markets*

CONDITION OF THE PENSION SYSTEM IN SERBIA

Social infrastructure, as seen in today's modern economic science includes numerous and diverse activities: education, health, social and pension insurance, scientific research and development, culture, political organizations, government agencies, and civic associations. While all this activity differs in character, all are characterized by their specific products and services that are not implemented on the market, according to economic principles, but a common good for the whole society or its individual parts. Pension and disability insurance in any state, including Serbia, primarily engage the attention of scientists and experts in general, which is studied with various approaches. The very organization and operation of pension and disability insurance is a matter of discussion and comprehensive analysis of industry experts in almost all countries of the world.

Government expenditures that are allocated to pension systems have become a major problem in developed and underdeveloped countries, and also countries in transition, like Serbia. Unfavorable demographic structure in the Republic of Serbia, that is, the ratio of employees and retirees is steadily declining. This relationship and the problems in the functioning of the national economy were the reason for the introduction of high taxes on earnings for employees and employers, out of which retirement pay is compensated. High tax contributions influence the deterioration of the financial condition of employees and employers, and also lead to big problems in the economy, causing many companies to stop operating or work in difficult circumstances. In relation to these problems, there are also problems with paying employee salaries and contribution payments of pension and disability insurance.

As a result of difficulties in the functioning of the pension and disability system, there is a disturbance of the pension fund, and irregular payment of pensions. Thus, some countries of Southeast Europe have reformed the pension system, a large number of countries have begun to reform and its implementation plans for the future.

The pension system in Serbia and other countries in Southeast Europe (primarily referring to the state resulting from the disintegration of Yugoslavia) for many years has been in crisis, and works with large and difficult problems. It is evident that this insurance system is not economically efficient and socially unacceptable; therefore, it should be reformed in the upcoming period.

MAIN CHARACTERISTICS OF THE PENSION SYSTEM IN SERBIA

A large number of characteristics that can be seen and that we can look into within the pension insurance system in our country since 1980 until the present day are the following:

1. Ratio of the number of beneficiaries by number of actively insured, i.e. employees
2. Average number of years of service for retirement, as well as age,
3. Analysis of financial status of beneficiaries and average earnings,
4. Monitoring and compliance of a pension system,
5. Movement of the contribution rate,
6. Monitoring the financial position and performance of The Disability and Pension Fund,
7. Movement of the age for retirement.

Facts are relevant for our analysis, beginning of the 1980s of the last century, in Serbia and other republics of the former Socialist Federal Republic of Yugoslavia, were marked by stagnation and a continuous decline in economic activity. Such situation was getting worse, and in 1992 transforms into a huge economic crisis, followed by hyper-inflation and the collapse of the state, and all blockages and sanctions (for Serbia and Montenegro) by the United Nations Security Council. In the first half of the 1990s the problems in the pension fund were dramatically amplified. In the period since 1989 to 1994 the gross domestic product has fallen by two-thirds, increasing the open and hidden employment, leading to a decline in real wages. Contribution rates for some companies and industries has been reduce, at the same time the number of pensioners has been increases significantly due to the early retirement of workers. Then the high deficit is covered by primary issue which in turn speeds up the hyper-inflation and devalues pensions.

In the period of 1994-1998 the revenues from contributions and pensions have been increase in real terms due to the end of sanctions program and governor Avramovic's anti-hyperinflation program. Then the deficit was covered by transfers from the budget and illegal government regulations which reduced pensions. Delays in the payment of pensions occurred as well. In 1999 the NATO bombing of Serbia and Montenegro lowers economic activity by about 18%, which reduces revenues and contributions, and thus the pensions. Very difficult social situation in the country, the poor economic situation and poverty have negatively affected the functioning of the pension funds, which is partly reflected in the increased share of The Disability and Pension Fund expenditures in GDP and national income. The current system of pension insurance of employees in Serbia consists of one level; it is mandatory and the public system which predetermines pension compensation.

This system has been in use in Serbia on the principle of "PAYG", according to which current employees fund the pension compensation for current retirees. This concept is called the current funding. This concept of financing is subject to demographic changes in the country and can work well only when the population is young, or when there are a larger number of employees than the number of pensioners.

Ratio of the number of employees and retirees during the previous decades has dropped significantly due to: 1. unfavorable demographic trends, 2. decline in employment, 3. low age for retirement, 4. widespread practice of early retirement, 5. generous policy of granting extra service credit.

Table 1. Ratio of Employees and Number of Retirees

Year	1970.	1980.	1991.	2000.	2005.	2008.
Number of employees /retirees of	3,8	3,5	2,3	1,7	1,6	1,5

Source: Arsic, M., 2010. Public Pension Fund, Faculty of Economics, Belgrade.

Ratio of the number of employees and pensioners is getting worse year by the year. This number in 1970s equaled to 3.8 employees per pensioner, and then gradually began to decline during the eighties to nineties when it reached the figure of 2.3 employees per one pensioner. Declining trend in the number of employees and retirees continued in the first decade of 21st century, from 1.7 in 2000 to more than 1.6 in 2005 and to 1.5 in 2008. Due to the current situation in the Serbian economy, where a large number of companies are working with only a part of their capacity, or they are not working at all, the ratio of actual employees, who are being led by the National Employment Agency and pensioners is about 1:1, which is a very dangerous situation.

In addition to a very unfavorable ratio of the number of employees and the number of retirees, there is a high ratio of the average pension to the average wage. Ratio of the pension / salary is more than 70% which makes Serbia at the very top of this category. This relationship in 1999, in the state union of Serbia and Montenegro was 78% in 2000 a slight decrease occurred when the ratio was 75.9%. On the territory of the Republic of Serbia ratio of the pension / salary in 1999 was 78% in 2000 71% which can be seen in Table 2.

Table 2. Ratio of the pension to salary in Serbia and other countries

Country	%
Serbia	70,0
Macedonia	42,8
Hungary	64,2
Poland	48,7
Greece	33,5
Germany	45,2

Source: Rakonjac T., 2004. Voluntary Pension Insurance, Faculty of Economics, Belgrade, p. 255th

Besides the above mentioned, it is also characterized by a delay in the payment of pensions from one month that is, pensions for the previous month are paid in the current month.

Either way, the crisis of the pension system in the country continues with a high possibility to be even larger and more prominent if the system is not reformed.

REFORM OF THE PENSION SYSTEM IN SERBIA

The necessity for reform of the pension system in Serbia is the result of accumulated problems over the previous period, such as, high deficit, the ratio of the number of employees and pensioners, arrears in the payment of pensions, the expected negative demographic trends in the future. All these causes influenced the fact that in the period from 2001 until 2009 several changes to the pension system were implemented. Generally speaking, all the reforms were implemented in order to improve the long-term sustainability of the pension system. In the first phase of reforms in 2001 most significant changes were related to:

1. First increase in the retirement age from 60 to 63 years for men and from 55 to 58 years for women, and the minimum age from 50 to 53 years,
2. Second introduction of the Swiss formula for indexation of pensions according to which pensions are indexed to the weighted average of the growth of average wages and cost of living,
3. Contribution rate from 32% to 19.6%, but the inclusion of other personal income in wages, the basis for the calculation of the contribution increased to about 20%,
4. Abolished the selective reduction or exemption of certain activities of the company and contributions.

The most important results of this phase of the reforms were to provide regular payment of pensions, as well as a significant increase in real average pensions. However, the financial performances of pension fund in Serbia were not improved due to the excessive growth of real pensions.

The second phase of the reforms implemented in 2003 contained the following changes:

1. Determination of pension based on earnings throughout working life, rather than on the basis of earnings in the top ten years during the years of service,
2. broadened the base for the calculation of the contribution including income from copyright and similar things,
3. tightened the procedures for obtaining disability pensions, benefits are reduced for certain categories of employees.

The changes in the pension system that were implemented during this period improved the justice system and reduce pension abuses, but their achievement from the viewpoint of improving financial performance is relatively modest. The most important reforms in the pension system adopted in 2005 included the following changes:

1. Gradual abandonment of the Swiss formula in the indexation of pensions by reducing the weights earned in order to index the pensions only to cost of living in 2009,
2. Gradual extension of the retirement age in order to in 2011 the retirement age for men is 65 and for women 60 years,
3. Introduction of a minimum ratio of average pension to the average wage level of 60%.

As a result of these reforms comes the improvement of the financial performance of the pension system. Pension fund deficit in 2007 was lower by 1.6% of GDP compared to 2003, while expenditures of the pension fund in 2007 were lower by about 0.9% compared to the peak in 2004. In 2008 a series of measures were implemented which completely neutralized the positive financial impact of pension reforms in the period 2001-2007 such as: 1. alignment of the ratio of average pension to the average wage level of 60%, which resulted in the growth of average pensions by about 12%. Also in late 2008 average pension increased by an extraordinary 10%. As a result of these measures, the share of pension expenditure to GDP in 2008 increased by 1.2 percentage points. At the same time the pension fund deficit in 2008 reached 5.7% of GDP, in 2009 deficit was over 6% of GDP, which is above the maximum of 6%, which was achieved in 2003. In response to an unsustainable increase in pension costs the state has frozen the pension increase in 2009 and 2010.

THE STRUCTURE AND FINANCING OF THE PUBLIC PENSION SYSTEM IN SERBIA

At the end of the first decade of the twenty-first century Serbian pension system consisted of:

1. Mandatory public pension fund - Republican Fund for Pension and Disability Insurance, whose expenditure in 2008 (pensions, health care, retirees, administrative costs, etc.) accounted for 14.4% of GDP in Serbia, amounting to about 1/3 of consolidated expenditure of Serbia
2. Ten voluntary private pension funds, which contained about 160 thousand insured. The total value of the net assets of private pension funds at the end of the first quarter of 2009 amounted to 50 million Euros, or about 0.2% of GDP.

Unification of the pension funds of employees, farmers and self-employed, in early 2008 formed a single pension fund. It is also expected to include the military pension fund into a single public fund.

Table 3 *Number of insured persons and pensioners in public pension fund in Serbia (in thousands)*

	Insured	Pensioners	Insured/Pensioners
Employee Fund	2000	1307	1,5
Farmers Fund	310	223	1,4
Self-Employed Fund	250	51	4,9
Total	2560	1581	1,6

Source: *Pension and Disability Insurance Fund of the Republic of Serbia, 2012 Statistical bulletin [online]*

<http://www.pio.rs/images/dokumenta/statistike/godisnji%20bilten%202011-lat%206.7.pdf> [Accessed November 2012].

Financing the public pension system is done by the following rates of contribution. The basic rate of contribution is unique and equals 22% half of which goes to the employee's burden and half to the employer's burden. At the same time the basis for the Pension Fund contribution is the same as in the case of health insurance. Minimum monthly contribution base is 35% of the average salary and the maximum base is equal to five times the average wage. A more detailed review of the contribution rate for public pension fund in Serbia and the countries of Eastern Europe will be given in table number 4.

Table 4 *Contribution rate for public pension funds in the Serbia and SEE*

Country	Contribution rate for pension
Serbia	22,0%
Bulgaria	22,0%
Hungary	18,0%
Macedonia	21,2%
Albania	29,9%
BH	24,0%
Republic of Srpska	24,0%
Croatia	20,0%
Rumania	19,8%
Montenegro	21,6%

Source: *Arsic, M., 2010. Public Pension Fund, Faculty of Economics, Belgrade, pg. 18th*

The existing pension system in Serbia is unsustainable long term because spending on pensions "crowd out" other social and developmental functions of the state. In the period of 2003-2008 income from contributions and other regular income accounted for between 56% and 66% of the expenditure of public pension fund. Pension fund deficit ranged from 4.4 to 6% of GDP. The deficit from the pension fund is covered mostly by transfers from the state budget (about 5.2% of GDP), and a smaller part by the privatization revenues (0.4% of GDP).

Sustainability of the public pension system in Serbia depends on:

1. Demographic variables: the average length of life, the age structure of the population and more,
2. Macroeconomic variables such as GDP growth, employment and average earnings,
3. Fiscal parameters: the contribution rate, contribution base.
4. Parameters of the pension system: minimum age and retirement of men and women, the general point indexation rule and indexation of pensions, the conditions for early retirement and more.

The impact of demographic factors is relatively predictable and they will negatively affect the sustainability of the pension system in Serbia. It is expected that the proportion of the population aged 65 and over to the working age population increase from 25% in 2007 to around 35% in 2032. Macroeconomic variables are likely to have a positive impact on the sustainability of the pension system, but the intensity of their impact is uncertain. Impact of fiscal variables with higher contribution rates would improve the sustainability of short-term, but would worsen the competitiveness of the economy, which would in the long term negatively impact the pension system. Also, some increase sustainability could be achieved by improving the collection of contributions from farmers, entrepreneurs and small businesses.

Pension funds as participants in the financial market in Serbia and are placed in financial institutions with the banks and insurance companies. The funds generate payments of contributions of participants and manage it in order to maintain and increase their value to secure the payment of pension to its members. Pension funds are the property of the insured or members of the fund, depending on the amount of money an individual retirement account. Assets of pension funds, especially private ones, are considered to be of exceptional quality, thanks to their characteristics: large volume and long investment opportunities. Therefore, we can say that the pension fund is one of the most important institutional investors in the financial markets that their big purchases and sale can be crucial to guide the pricing trends in the financial market as a whole.

Voluntary pension insurance system in Serbia is at the start of development. Figure 1 in Appendix shows the movement values of HHI in the sector of private pension funds. According to NBS in the market, at the end of the third quarter of 2007 number of contracts signed with companies for voluntary pension funds was 143,064th. Net assets in the pension fund sector in September 2007 were about 2.6 billion. Due to underdeveloped financial markets the largest share in total assets, funds have in debt securities of 39.18% and 23.65% shares. Adoption of decision on the maximum amount of investment of voluntary pension funds, investment funds were allocated to stocks that are on the A List, BSE. Allowed to invest up to 40% of total fund assets. In foreign currency (as seen in euros) at the end of the

third quarter of 2007 there were 1.1 billion dinars fund assets (mostly in old savings bonds), and the national currency was about 1.5 billion.

Development of financial markets is one of the prerequisites for the development of the system of voluntary pension funds. Current participants in the financial market, as we have previously stated, mostly placed their funds in foreign currency savings bonds and they lack investment opportunities in the domestic financial market.

When we talk about the impact of pension funds on the financial system of Serbia, as well as the investment of liquid assets of pension funds the profit should at least be equal to the average interest rate earned on the capital market. Placement of these funds is focused in three areas:

1. Buying property directly or approving mortgage and other loans,
2. Second purchase of securities,
3. Depositing funds at the banks and other financial institutions.

The investment of pension funds must meet two basic principles: first ensure a high degree of protection against the risk of its insured, second to achieve the highest possible return on invested funds.

Figure 2 in Appendix shows Structure of the aggregate portfolio of private pension funds and Figure 3 shows the investment unit of aggregate portfolio of private pension funds values - FONDEX.

CONCLUSION

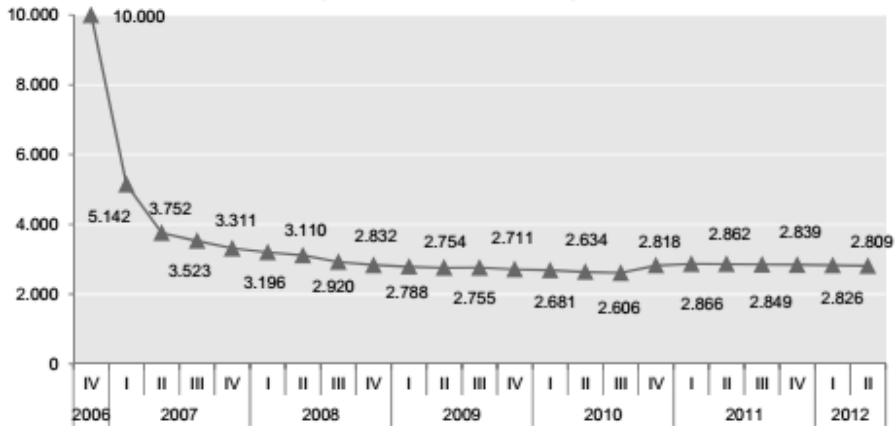
Well-defined system of pension insurance is extremely important for the development of each country and for the social security of its population. The main objective of pension funds is to improve the standard of living of every individual in the community in old age when the ability to earn is little, and the needs are still great. In our country, as in many countries of South Eastern Europe, there is a serious crisis in the functioning of the pension system, which can only be resolved by radically reforming the system which is extremely important in the Republic of Serbia. System of voluntary pension funds is at the beginning of development and is complementary to the system of compulsory pension insurance. Efforts have been made which should lead to the main goal of the voluntary pension insurance, and that is to increase the amount of pension participants. On the other hand there are huge problems in the economy, i.e. many companies do not work or work under difficult circumstances, and therefore, there are problems in paying salaries and payment of pension contributions. All these circumstances make it difficult to pension funds to take a greater role in the overall financial sector in Serbia. By analyzing the experience of other SEE countries, important place in the future reformed pension system voluntary pension insurance will have. Voluntary pension funds will allow each individual to create their own future.

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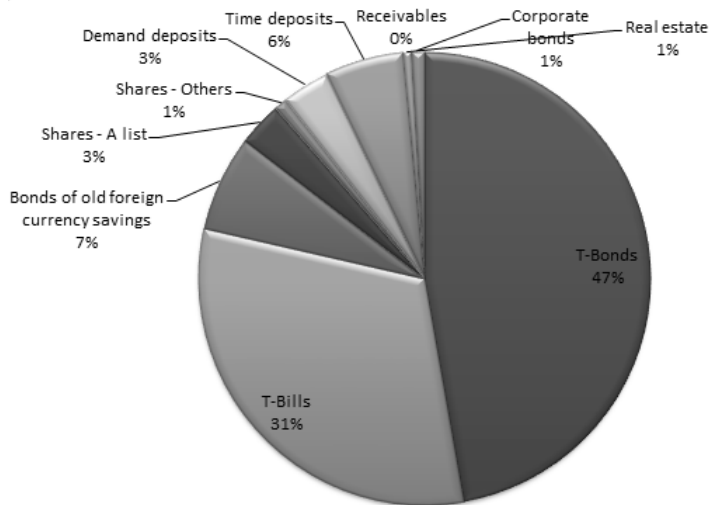
Appendix

Figure 1 Herfindahl–Hirschman Index, sector of voluntary pension funds in Serbia

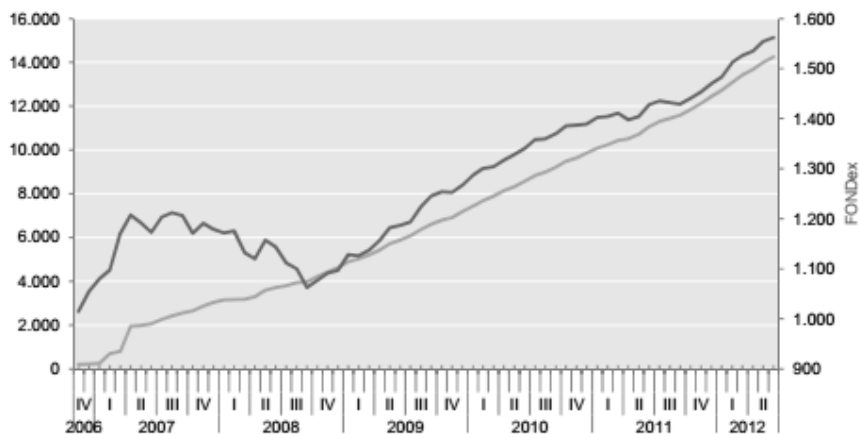


Source: National Bank of Serbia, 2012. Sectors of voluntary pension funds in Serbia. [online] http://www.nbs.rs/internet/latinica/62/62_2/dpf_02_12.pdf [Accessed November 2012].

Figure 2 Aggregate portfolio of sector of voluntary pension funds in Serbia



Source: National Bank of Serbia, 2012. Sectors of voluntary pension funds in Serbia. [online] http://www.nbs.rs/internet/latinica/62/62_2/dpf_02_12.pdf [Accessed November 2012].

Figure 3 FONDEX values

Source: National Bank of Serbia, 2012. Sectors of voluntary pension funds in Serbia. [online] http://www.nbs.rs/internet/latinica/62/62_2/dpf_02_12.pdf [Accessed November 2012].

RELATION BETWEEN EMPLOYING, EMPLOYMENT AND PEACEFUL SETTLEMENT OF LABOUR DISPUTES

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Abstract

Employment represents involvement of labor qualities of people and material resources of a society. Full employment means employment of all individuals capable of working. The assumption of employment is employment as a process which applies resources and measures in order to employ individuals. Employment can be seen as an act in which every individual has a chance to secure his existence by working. During an organized work, various work related conflicts are almost always present, and their solutions depend on the employment rate.

How can an alternative way of resolving conflicts influence employment? There are two dimensions to existence of one system for resolving work related conflicts, which is simple, efficient, free and impartial towards employment. Firstly, when people are employed they know that in the case of labour disputes they will be able to resolve it according to the law and efficiently and economically. In this way employers are convinced that their interests will be protected if an employee does not conduct his work tasks according to heterogeneous and autonomous acts, and in the case of strike the legal mechanism will react, which is the most appropriate form of economic and other pressures. Employee accepts a job and is aware that there is an efficient way of protecting his interests in case of getting fired illegally. Secondly, when a labour dispute comes up, the legal mechanism is activated and it will remove all the social economic consequences (e.g. the damage that can be caused by strike) as well as individual consequences (e.g. the employee that got fired illegally will be given his job back). Both cases mean creating assumptions for greater employment.

Key words: *employment, labour dispute, reconciliation, mediation, arbitration.*

INTRODUCTION

The question of existence of relation between employing and employment on one hand and peaceful resolution of labour disputes on the other can only be seen as *prima facie*. Namely, every employment means creation of labour disputes, which influence employing and employment..

It is natural that the state primarily protects the interests of economically inferior individuals – employees but the employers were interested in heterogeneous organization of working relations as well, above all in the area of economic pressure from employees, firstly the right to strike which causes great financial loss to the employers. On the other hand, when the protection of the rights of the employees was inserted in legal systems regulating work issues, there was fear in employers because it would affect the level of economical conduct of business and that it may cause individuals to abuse it. As an example we can take Holland, it has the lowest unemployment rate in the world (around 2%) and it has a lot of flexible forms of employment, which are different from the classic working relation (indefinite period, full time employment) This tells us that the employers do not want to accept legal and other obligations connected to employment, but that they are willing to employ a large number of people using other forms of employment.

This means that for an employer to decide to employ a person it is very important to be able to pay strictly according their economic interest. Furthermore, when a conflict arises (either collective or individual) employers want to have efficient means for overcoming the consequences. We can conclude that peaceful resolution of labour disputes guarantees to employers that their interests will be safe. That is the situation which will encourage employment. In theory there is no generally accepted definition of employment so we will rely on the attitudes of V. Brajic.

MAIN NOTES ABOUT THE TERMS EMPLOYMENT AND EMPLOYING

Employment is „the condition of employed people, or involvement of human resources. However for the full definition of employment it is necessary to add the level of involvement of material resources. So we can define employment as the usage of labor and material resources of a country in the function of socially useful and productive work. “ (Brajic V, 1972/ 28). The literature deals with unemployment more than with employment which we consider to be insignificant because that is the opposite of the same thing. We can often find a negative definition of certain legal terms. Employment has a multidisciplinary content and it

has social, economic and legal marks. The rate of voluntary and targeted employment, people who are able to work, which has personal or family existence for its goal, represent one of one of important indicator of social and economic development of every society. There are also other characteristics of this legal institute e.g. psychological component with clear implications for the people who are able and willing to work, and they do not have the opportunity.

One of the direct and crucial consequences of legal action in the generally accepted constitutional right to work, is the tendency of every state to accomplish full employment. Similar attitude is the one of N.Tintic who says that along with the consideration of termination of working relation “every state has a task to encourage employment.” (N. Tintic, 1955/ 173).

This attitude is popular today as well, because the measures of active employment have become the part of every government program and other higher institutions in every modern country. The objective of every economic and social politics is enlarging the number of employed people, and not to receive the financial aid because of unemployment. (Sundeic, B, 2005/ 11).

This can be seen as a movement towards so far unaccomplished social goal – full economically justified employment, employment of all people who are able to work in a society.

Numerical evaluations are done by using the rate of unemployment which represents the relation between total number of employed population and individuals that are able to work but are not employed. Until recently in Serbia the question of number of registered people in National employment agency was very present in the media. Agency gave information that a large number of people who are registered there are registered because they want to have health insurance and not because they are unemployed and looking for a job. But the fact is that all agencies of this type, Serbian included, have a very distinct rules and regulations connected to realization of the right to employment (checking in at certain intervals, obligation of accepting a job offered, retraining etc.) which are justified but because of them a certain number of people loses the right to employment so the status of unemployed *de iure*, they are not socially secure which they would be if they took the offered job.

We should point out that there are numerous ways to determine the unemployment rate, so we are not supposed to blindly accept the data of certain states concerning this question.

It is in the interest of countries to show that this rate is smaller, because we discussed that the rate is one of the most important factors which show the success of government. In practice we rarely use the term unemployment rate (together with the employment rate it gives us the total amount of people who are able to work) because it is the interest of society to have the information of the total number of unemployed because it tells the social and economic state of the country.

The assumption of employment is the process of employment, measures and means directed towards creating working relations. Creating a working relation, reaching rights based on the work, consistency of working relation and the termination of the working relation are closely linked to questions of position and rights of employees and their employment. (Brajic, V, 2001, /141)

GENERAL NOTES ABOUT LABOUR DISPUTES AND THE WAYS OF THEIR SETTLEMENT IN SERBIA

Global society today is dominating society of conflict, and the society in which creating a social peace is the only acceptable alternative. The Republic of Serbia is on the same path today as other countries going through transition are; they are moving from industrial and social conflicts towards social peace. The characteristic of this process is that it is very conflicting, followed by the highest level of social risk, open and radical industrial and political conflicts and faced with a lot of serious difficulties and obstacles. (Marinkovic, D, 2003/ 78). Long term tensions are shaking the political and economic scene in Serbia, and they are also present in the area of employment. The number and radicalization of work related conflicts, stress in relations between employees and employers grows daily. This is intensified by absence of mechanisms for efficient resolution of labour disputes (in a peaceful way).

Regulation about guilds from 1847 is the first document that clearly arranged labour disputes, and it regulated the relation between the employees and their employers. Article 16. Of the Regulation says that the conflicts between workers (members of guild) and their trainees according to their contracts are resolved “peacefully” together with the council and the two other members.

As far as resolution of group labour disputes is concerned, first norms appeared in Crafts Act. Article 163 of this law tells that the conflicts between employers and trainees, helpers and workers concerning their employment are settled in front of Craftsmen Board. Even though Serbia has a long tradition when it comes to legal regulations of peaceful resolving of work related conflicts, today the state of peaceful resolving of work related conflicts in Serbia can hardly be said to be diverse and efficient. This is true because of the theoretical aspect of this institute (small number of legal regulations and other legal sources that regulate this area), undeveloped of it and small number of institutions that peacefully resolve labour disputes, and mostly because of insufficient application of the existing possibilities.

The reasons for this condition are many, low level of social awareness about the advantages of peaceful resolution, undeveloped social dialogue, and weak unions, insufficiently informed and social responsibility of an employer, but also long term ignoring and marginalization of problem of working relations from the

government. The only institution in Serbia authorized for resolving the conflicts is the Republic Agency for Peaceful Settlement of Labour Disputes. Just to compare, the Great Britain, besides Advisory, Conciliation and Arbitration Service (ACAS) with over 800 employees and 11 regional centres (American Federal mediation and Conciliation Service has 70 regional agencies), has wide network of joint councils founded in order to resolve labour disputes in any industry. Central Arbitral Committee, private and independent Center for settling labour disputes based on the initiative of association of employers, and Civil Service Arbitration Tribunal founded for the disputes in public sector. Besides this Great Britain has specialized labour judiciary as well.

Labour disputes provoke the entire chain of negative consequences, to individuals, companies, and branch of economy, region and entire economy. For an individual the negative consequences can be of material, moral, physical and psychological nature.

In the bigger picture we can see the damage, caused by labour disputes, in lost profit, damaging or destroying the property, hold up in production, and sometimes collective labour disputes provoke the paralyzing of economy of the entire country, and social riots.(Jasarevic S, 2000/1).

Strike always leads to damages, for employers and their partners and other subjects too.(Kulic Z, Marinkovic A. 2009/ 194).

Large number of individual disputes in companies (especially private ones) strikes and other forms of protests of workers has become an everyday picture in Serbia. According to the available data in the republic of Serbia in the first half of 2009 there have been between 32 and 33 thousand workers, employed in 45 companies, on strike or some other form of protest. The most often cause are the unpaid wages and the problems caused by badly done privatizations. However, often these causes are related. Companies with badly done privatizations are usually the cause of delayed payment of wages. The number of companies that are in some form of protest has the tendency of growth. The cause of that is the great economic crisis, but often the abuse of the crises from employers also. Although the majority of those conflicts can be defined as labour disputes, the largest number of protests has the termination of the contract of privatization as a goal, because of irrational business and alienation of property. In those cases when the rights of individuals or group employed are broken(unpaid wages), it is often the case from the legal point of view the dispute is resolved, employees have valid court decisions, but the problem is the lack of will of employers to obey them and inability of the state to correct that. That is why it is usual for employees to protest and take some radical measures like damaging or blocking the roads, while a certain number of these could be resolved by using methods for peaceful resolution of labour disputes. Global economic crises only added stress to the existing large number of disputes caused by the change in economic order. Just like every crises that hits a society, gets all the issues and discrepancies to the surface, this economic

did the same with negative effects that manifested in all societies that are hit by it. In Serbia the following things came to surface: bad side of privatization, nonexistence of social dialogue, undeveloped unions for defending workers' rights, issues in functioning of a county, government and law. (V. Peric, D. Kostic, 2009/216)

Looking through a prism of institutions resolving labour disputes, we can see that Serbia was not ready not only for global economic crises, which could not be foreseen, but also for the changes in economy that were brought by privatization. (Д. Костић, 2010, стр.123-137).

Resolving of labour disputes in court, like primary and most often used method of resolving labour disputes, is inefficient and slow. Also the Labour Law regulates that labour disputes have the priority and that they should be resolved urgently, in practice that is not the case. Serbia, together with the countries of the Eastern bloc, is at the bottom of the scale according to the number of labour disputes that are resolved peacefully before coming to court (founding the Republic Agency for Peaceful Settlement of Labour Disputes, which is according to International Labour organization the best in the region, Serbia took a significant step forward.) In Japan labour disputes are rarely settled in court. Disputes are often resolved peacefully, by agreement between the employer and employees. This is explained by their culture. Labour Law, Official Gazette RS, no. 24/05 in the article 195. Item 3. Defines that labour dispute has to be ended by authorized court within six months from the day of filing the dispute to the court. The process of labour disputes lasts long. Serbia missed its chance to introduce specialized Labour courts, when it bought new laws and regulations for the courts. The institution of specialized Labour courts is known to many countries especially the Western European countries. However, there are great differences among them when it comes to the type of labour dispute that fall under their authority, the members of court council (the number of judges and representatives of both sides in the dispute) and the degree in which disputes are settled in specialized labour court. The most significant representative of labour judiciary is Germany. In Germany the specialization of labour courts has been done. The council of labour court is made from three parties (one professional judge and representatives of the two sides in dispute).

Specialization of labour courts has been thoroughly done, from the first degree court, regional court, to the Court of Appeals and Federal Labour Court.

All of this goes in contribution to Serbia, maybe more than other countries and more then ever, needs to work on strengthening of collective negotiations, organizations of social partners, and institutes for peaceful settlement of labour disputes that already exist as well as creating new ones.

Successful application of methods for peaceful and democratic settlement of labour disputes strengthens social partnership, reduces social tensions and the odds for organized strike and other forms of pressure (Kulic Z, Belgrade 2001/ 107).

TYPES OF LABOUR DISPUTES

The main prerequisite for successful resolution of labour disputes is the choice of the optimal method for a specific dispute. Any dispute cannot be successfully settled by choosing any method for settlement of labour dispute. This is why in order to settle the dispute successfully it is important to define its characteristics: the cause of the dispute, its history, its object and the number of participants. Besides these it is usual to divide the disputes according to their authority and the way of settling it, territory on which the dispute is happening, the branch of economy in which the dispute belongs, nature of the assets, significance of the dispute.

Theory and practice of labour law recognize many divisions of labour disputes. However in order to settle the dispute peacefully and determining the methods for resolving it, the most important division is into individual and group disputes (according to the number of people involved and the object of the dispute) and the division to legal and interest labour dispute (depending on the nature of the dispute).

Individual and group labour dispute

The division to individual and group labour disputes and their clear differentiation is necessary for a successful application of the Law of Peaceful Settlement of Labour Disputes (Official Gazette RS, no. 125/04 and 104/09) which defines two different methods for settling of these disputes. .

Individual labour dispute is the conflict that arises between the employer and worker as an individual, because of not recognizing or injuring the right of an individual from the working relation or because of personal interest based on the right or because of the injury of work obligation from the work relation determined by legal regulations (Sunderic B, 1994/ 337, Paravina, D, 1995/ 204) In order for a certain labour dispute to be individual two conditions have to be fulfilled: subjective – the dispute has to be between an employee as an individual and employer, and material – it has to be about injury or denial of an individual right or personal interest from working relation. This type of disputes usually comes up because of application of individual contract, group contract or some legal regulation.

Group labour dispute is created when a group interest or group rights, the rights from the contract are injured (Sunderic B, 1991/ 357) ; it is created by determining or changing and interpreting rights defined by the legal regulations. Just like individual, group dispute is characterized by two important conditions: subjective – the existence of a dispute between larger number of employees or their union and employer or association of employers and material – where the cause of the dispute is the injury or denial of group right or the interest from the work relation.

Even though there are less group labour disputes than individual, they almost always begin or culminate with a strike. This is why the consequences of group disputes are much more significant than those of individual disputes. All together is a reason for additional attention to be paid to peaceful settlement of group disputes, that is to choosing the most appropriate method.

Although it seems that if the two conditions are fulfilled, that the difference is clearly visible individual and group dispute, in practice the difference is not always clear. The problem of differentiating an individual from group dispute is especially expressed in the case when an individual right has been injured towards a larger number of workers (e.g. when a larger number of employees has requirements towards employer from the work relationship) In those cases the dispute is perceived as individual, unless the employees are not united by a common interest. In countries where the unions and where workers' solidarity are strong, it is often the case that individual disputes grow into group ones.

Legal and interest labour disputes

Group labour disputes can be classified according to various criteria, but the most significant division is based on the subject of dispute and the nature of questions of dispute, on legal and interest dispute. This division is based on the question if the determined right is already regulated by some general act (group contract) or not. The subject of group labour dispute is either because of the agreeing on a group contract, that is its changes and additions or because of application of group contract. (M. Miljkovic, 2006/ 9).

The first group labour disputes are called interest disputes and legal disputes. Labour Law gives the possibility of settling group labour disputes through legal arbitration, and group interest disputes by interest arbitration.

When we talk about legal disputes as the subject of the dispute we find ambiguous question that is already regulated. Just like with individual and group disputes, this division cannot be differentiated clearly in practice. When employees or employers seek for the change or addition to the group contract; that is when legal dispute is converted into interest one. Legal dispute is a dispute between employees and employer, that is their organizations, which are created by application or interpreting of the individual and group rights of the employees (or employer) from work relation, determined by government regulations and autonomous regulations (constitutions, laws, delegated legislation, group contracts, rule books, statutes, individual labour contracts). What creates this kind of labour dispute is the difference in interpreting a certain norm, law or group contract (or some other regulation) or inaccuracy of it.

Interest labour disputes are those connected to signing, changing or adding to the group contract. They are created as a result of inability of two parties (usually unions or other organs which represent the employees and employers or the association of employers) to reach an agreement within group negotiating about adopting new or renewal and modification of the existing norms. (A. Gladstone, 1998/503.)

METHODS OF PEACEFUL SETTLEMENT OF LABOUR DISPUTES

In theory and practice there are three basic methods of peaceful settlement of labour disputes and those are: reconciliation, mediation and arbitration. Besides these three, theory and practice as methods of peaceful settlement of labour disputes also include negotiations, mini trial, mediation and arbitration together, hiring a judge...

All three methods have their place in the legal system of Serbia. What is common for all three methods is the participation of neutral person (or more) in the settlement. The difference is noticeable in the degree of participation and the authority that person has in the process of settlement. That role goes from the passive one in the process of reconciliation, to the most responsible and most active in the process of arbitration. Majority of legal systems knows all three modalities and applies them according to the type of labour dispute and the demands of the parties. However there are legal systems that do not make the difference between reconciliation and mediation. (Sweden, Great Britain, USA, Serbia...)

Reconciliation

Reconciliation as the way of settling labour disputes is regulated, in our country, by the Peaceful Settlement of Labour Disputes Law, as the process which is applied after unsuccessful mediation in group labour dispute. That is the process of peaceful settling the labour dispute, where the neutral party (board or an individual) offers help to the parties in the dispute with the goal of helping them to resolve it. Reconciliation is the weakest form of the third party intervention in the dispute, because it has the role of making it easier for the parties in the dispute to find solution on their own. He does not have any real power of decision making or imposing his will on the two parties in the dispute. His only means are his diplomatic skills and the ability of persuasion. Reconciliation is almost everywhere in the world one method that is the most desirable in settling the labour disputes. (*J. de Givry, 1978./ 67*).

Positive side of reconciliation compared to mediation and arbitration, is that the third party influence is small and the parties in the dispute have little to lose and a lot to gain. That is why in many countries conducted reconciliation is the prerequisite for strike or lockout. The recommendation of MOP no 92 about voluntary reconciliation and arbitration foresees that if a dispute is trusted to an organ for arbitration, the sides in the dispute have to be encouraged not to go on strike (employees), not to declare lockout (employers) during the process of reconciliation. According to the opinion of the Committee of MOP about the freedom of association, reconciliation, mediation and

arbitration, if they are followed by a strike, they have to facilitate the agreement of the sides, and not to make it impossible because of slow and complicated procedures, and to make the strike pointless. The advantage of reconciliation in relation to the court settlement is that it is fast, economical and informal. However the biggest advantage is the possibility of prevention, which is limited in courts.

If reconciliation is successful it is ended by an agreement that is the protocol about the reconciliation. In many legislatures there is a written form of an agreement. However, even where this is not directly foreseen, in practice, agreements are made in written form. The agreement defines future obligations of the sides in the agreement when it comes to the questions connected to the subject of the dispute and the deadlines for their conduct. In some countries the prerequisite for activation of definite agreement there is an obligation of referendum (ratification) by the union members (USA, Canada) or employers (Denmark).

The biggest issue that can come up after the reconciliation is the conduct of agreement, because it depends from the will of the parties. That is the reason why many legislatures foresee the agreement, which is the result of reconciliation, which is created by the process of reconciliation and it has the power of court settlement, and as such can be executed.

Mediation

Mediation is the method of settling (group) labour disputes that is the most applied in Serbia. The system in Serbia does not recognize the difference between mediation and reconciliation. Namely, Peaceful Settlement of Labour Disputes Law says that the method for settling of group disputes is reconciliation, even though it is clear that the authorities of a neutral person (mediator) are those of mediator. In this case this is a discrepancy between the terms used to define the notion and the reality

Mediation is the way of settling group labour disputes, where neutral person gives active help to the sides in the dispute with the goal of reaching the solution, or to suggest the settlement of the dispute in the form of recommendation if they do not come up with a compromise themselves. Mediation is the way of solving group disputes that is between reconciliation and arbitration and represents their combination. Mediator, similarly to person, who assists during reconciliation, firstly tries to reconcile the parties in the dispute, and if he fails in doing so, he gives the recommendation, which if it is accepted it has a similar effect to arbitral decision. Mediation has an important role in resolving group disputes because of the characteristics it has.

Large number of disputes, because of their nature, demands neutral active intervention unlike in the reconciliation process, but the settlement of the dispute cannot be decided entirely by the mediator like in the process of arbitration. However, from the point of view of geography, mediation is less present than in the

processes of reconciliation and arbitration. It is used in the USA mostly, (Federal Mediation and Conciliation Service), Greece (Organization for Mediation and Arbitration – OMEA), France, Belgium and Scandinavian countries.

Just like in the process of reconciliation, in many countries there is a restraint from lockout (in group contract or the law) or strike during the mediation process. Even though in practice there are no two same methods of mediation, three basic phases of the majority mediation processes can be found:

- Recognizing the dispute issues and the cause
- The attempt of compromise (which can result in reaching the agreement)
- Creating the recommendation (if the agreement is not reached)

Mediation can be concluded in two ways: reaching the compromise between the two parties in the dispute and giving the recommendation. The rule is for the recommendation not to oblige the parties in the dispute (by which the recommendation is legally accepted) so they can accept it or not (that is when the parties in the dispute choose some other form of settlement of the dispute – reconciliation, arbitration and strike). The examples of legal systems where recommendation is obliging (France, Australia...) are rare. In the majority of cases, recommendation is given to the parties in the dispute only as a moral obligation which is more serious if the authority and respect of mediator is bigger

Arbitration

Arbitration is the procedure of resolving group labour dispute when a neutral arbitrator is hired to reach the solution with the help of the parties in the dispute. In Serbia this is the only way of settling individual labour disputes and as the only alternative to resolving group labour disputes. This is defined in the Labour Law.

Arbitration is similar to reconciliation and mediation: peaceful way for settling disputes without intervention of the law, trusting to neutral person with the law, informality and speed of the conducted process. However, there are some significant differences as well. The main characteristic of arbitration, which differentiates it from mediation and reconciliation, is higher influence of the third party (arbitrator) because he brings the decision on his own. The position of an arbitrator is similar to the one a judge has in court. Besides this similarity, there is also the one of more formal procedure than the one in mediation and reconciliation. While for the processes of reconciliation and mediation have the focal point in the parties in the dispute, during arbitration the arbitrator is the key person to the settlement. That is why arbitration is used after reconciliation and mediation did not give the expected results and usually represents the culmination of the system for peaceful settlement of labour disputes

In practice arbitration has two phases:

- Discovering the questions of the dispute and the examination of the cause and
- Reaching a decision

In order to settle the dispute in the right way, arbitrator had to be independent and to have a freedom of decision making. There are more strict prerequisites for choosing an arbitrator, because of his much important role than the one of conciliator or mediator. He has to be completely independent and impartial. Almost in all legal systems an arbitrator has to be highly educated. Arbitrators of Advisory, Conciliation and Arbitration Service(ACAS) in Britain, are usually university professors, retired officials, union members and employers, but respected lawyers and other persons as well. In Germany, arbitrators are often judges of Labour Court or members of parliament. The decision of arbitrator is in written form, has to be clear and comprehensive and it is treated as final verdict of the court of the law, or as group contract.

Settlement of labour disputes

Based on the Peaceful settlement of Labour Disputes Law

Courts are the higher instances of settling disputes in every society. But settling the disputes without the help of the law means alternative way of settlement and the way of giving “another chance” to the parties in the dispute to settle the dispute without going to court. (Peric V, 2011/419). Peaceful settlement of labour disputes Law (the Law in further text) is the result of common (state, unions, employers) need efficient settlement of number of disputes and tendency to adjust our legal system with the goal of euro integrations. Serbia took the obligation of adoption of this law based on article no.8 item 1. Law about action plan for harmonization of economic systems of countries members of the state union of Serbia and Montenegro , in order to stop and remove the obstacles to the free flow of people, goods, service and capital Official Gazette no. 67/2003. This action plan states that the states which are members, are supposed to, in cooperation with American agency for peaceful settlement of labour disputes and MOP, prepare the recommendation of the Law of Peaceful settlement of individual and group labour disputes.

The Law defines all the regulations and procedures of settlement of group an individual labour disputes, founding of the Republic Agency for Peaceful Settlement of Labour Disputes (Agency in further text) the legal position and the way of choosing conciliators and arbitrators. Settlement of labour disputes by applying the Law is regulated by willingness to peacefully settle the dispute, with three parties involved (social partners choose the conciliators and arbitrators), and conciliator or mediator to be impartial. If there is no willingness for peaceful

settlement of dispute there is the obligation to approach peacefully to settling the group dispute where there is a minimum of process of work, according to the law which defines the right to strike. (Article 18). What professional public, associations of employers and employees point out as a downside is not following the rule of existence of three parties enough, which is defined by this Law. That is, the social partners are not a part of the process conducted by the agency. A sketch of the Law that was filed in May 2004 to the social partners, defined that Agency has a Board of Directors and Supervisory Board which would be consisted of all three parties but that did not make it to the final version of the Law. Prerequisite for being impartial are defined by article 473. Of the Law, which states the reasons for exclusion of an arbitrator, from the process.

This Law defines the group dispute as the one caused by: conclusion, changing and adding to the group contract, application of a general act (labour regulations and the agreement of employers and unions) which regulates the rights, obligations and responsibilities of employees, employers and unions, right to establish a union and act, strike and denial of the right to inform, consulting and the participation of employees in managing. Before the Law was changed (Law about changes and additions to the Lao of peaceful Settlement of labour disputes, Official Gazette RS, no. 104/09) group dispute was the one caused by conclusion, changing and addition to the application of the group contract, realizing the right to create a union and strike. Foreseen procedure for settling of group disputes is reconciliation, with the authorized conciliator, and the ability of the parties in the dispute to suggest the way of settling the dispute (mediation in a traditional definition)

According to this Law an individual dispute, is the one caused by discrimination and mobbing at work, termination of the contract, negotiating and getting paid minimum wage, as well as dispute about individual rights defined by a group contract, some other general act or contract, the expenses of food and transport to work, payment of the prizes and reimbursement for annual vacation. Before the changes in Law, individual dispute was the one caused by termination of the contract and getting paid the minimum wage. The accepted method of settling the individual disputes is arbitration.

The process is started by Agency (with the documentation about the dispute and potential witness list), the dispute can be filed only by one party or by both parties at the same time. If the suggestion was filed only by one party, it is delivered to the other party together with the documentation, and the second party has to declare if they accept the peaceful settlement of labour dispute. The second party should do that within three days. Conciliator, arbitrator, is chosen by both parties in the dispute from the Directory of conciliators and arbitrators, in suggestion they make together or within three days from accepting the procedure. If the parties do not do that, the Director of the Agency names the arbitrator. After receiving the necessary documentation arbitrator decides on the date for the dispute, within three days.

Reconciliation in group disputes is managed by the Reconciliation Board, which involves the conciliator (the Chairman of the Board) and one representative of the parties in the dispute. After the process of reconciliation is over, the conciliator concludes the discussion and together with the members of the Board, makes a suggestion of the settlement.

The suggestion is obliging and is legal only when all the parties agree on it. In that case the agreement about the settling of the dispute is made, which in case of group dispute about the contract becomes the part of the contract, and in other cases has the executive title. If the reconciliation is not concluded by adopting the agreement, conciliator disbands the Board and continues the process of reconciliation in direct contact with the parties in the dispute. (“real” reconciliation)

Arbitration in individual labour disputes is conducted in the presence of arbitrator and the parties in the dispute. Arbitrator is the head of the dispute, he takes statements from both parties and witnesses and he undertakes the necessary action in order to determine the facts that will help him reach the solution. After the new evidence, an arbitrator, within 30 days from the beginning of the process, presents the solution of the dispute which is obliging for the parties.

Agency for Peaceful Settlement of Labour Disputes is a special organization which is a part of the government, and is founded with the objective of managing activities connected to areas such as: choice of conciliators and arbitrators and their professional development, deciding about exclusion, and taking care about the cases. The activities of the Agency are monitored and managed by the Director who is chosen by the government of Republic of Serbia.

Conciliators and arbitrators are chosen by the Committee for choosing conciliators and arbitrators for the period of four years. Committee consists of all three parties, two government representatives, and two representative from each association of unions or employers founded on the territory of Republic of Serbia. Conciliator has to be the citizen of Serbia, to have higher education degree and at least five years of experience in dealing with working relations, he cannot be convicted of imprisonment of at least six months, and he has to be worthy of the title of conciliator. Besides all these conditions arbitrator has to pass bar exam, or to have the title of university professor and teach legal subject. (Jasarevic S 2004, *crp.* 265).

Settling labour disputes according to Labour Law

Peaceful settlement of labour disputes besides the Law of Peaceful Settlement of Labour Disputes is defined by the regulations in the Labour Law. There are differences, and similarities when it comes to the processes of settlement, between the two.

Labour Law defines that the disputes between the employee and employer, if they are individual disputes, can be settled peacefully if such a way is foreseen by the group contract, regulations or contract. The dispute is settled with the help of an arbitrator, which is chosen by the two parties and he is an expert in the area in to which the dispute belongs. The process starts within three days from the day of delivering the dispute resolution to the employee, and arbitrator has the obligation of reaching the decision within the ten days from the day of filing a request for peaceful settlement of the dispute. When we talk about the dispute that arose because of the termination of working relation, that working relation is still going on during the arbitration. The decision made by the arbitrator is final and obliging for the parties in the dispute. If arbitrator does not make a decision, the resolution about the termination of working relation is active.

With individual disputes, there is the difference between these two ways of settlement; it is in the time frame for starting arbitration. According to the Labour Law peaceful settlement is possible only before the court procedure is started. The solution offered by the Law has the goal of dispute not going to court, and to settle it within the company. This is concluded because of the fact that during an arbitrator is leading the process because of termination of working relation, the status of employee is still employed. This means that termination does not provoke an action, so there is no case for the court of law. On the other hand, it is possible to start the process in the Agency even though the court process is in progress (until it ends) in which case the court will pause its process in order to see the results of arbitration. (Urdarevic, b, 208, / 101).

Main similarities of settlement of individual disputes by applying these two laws are: the notion of willingness, arbitration as the foreseen method for settling the dispute and the fact that the arbitrator's decision is obliging and final. Main difference is that individual dispute can be settled independently from the subject of the dispute according to the Labour Law, and according the regulations of the Law of Peaceful Settlement of Labour Disputes, the possibility of settling the disputes is limited by law's defining what can be the subject of the dispute.

When we talk about group disputes, Labour Law defines rules by which the dispute questions can be settled by arbitration, like signing, changing and adding items to the contract. The Law separates the terms of legal arbitration, which settles the disputes about application or interpreting the group contract whose way of work is organized by the contract itself, and interest arbitration which is created for settling the disputes about the contract, changing and adding to the group contract. The content and the way of functioning of interest arbitration is not defined beforehand but it is defined by the participants in the dispute. The decision of legal arbitration is obliging and the one in interest arbitration depends on the agreement between the two sides in the dispute.

CONCLUSION

Employment represents one of the most important social processes in legal and social area of every society. This is why it is an extremely important task of every country is to encourage employment with the goal of reaching the full employment. Employment can be seen as an individual action, which is establishment of working relation between a person looking for the job and an employer.

Employing for a person mans being able to provide existential income for himself (and the family if he has members with social needs)

Employment is the consequence of employing and represents hiring of labour potentials and material resources of a society. Every society has the problem of unemployment to a certain degree, which represents the inability of employment of the part of the population which is able to work.

Peaceful settlement of labour disputes is very present in the world and it is regulated by the law, with wide and long term application which is based on the principles of being economical and efficient. Peaceful settlement of labour disputes is successfully introduced into a legal system of Serbia in 2005. by introducing Peaceful settlement of labour disputes Law.

As a consequence of the fact that peaceful settlement of labour disputes guarantees accomplishing interests of employer and employees, employers become aware that they can employ people freely and in accordance with their economic interests. This means that employer can employ needed staff any time he has an economic interest, knowing that, when the interest goes away, he will have efficient legal means, by whose application, he can quickly and without any charges, determine the legality of his decisions, especially the ones by which he terminated the contract signed by employees whose work performance is not suitable or there is no need for their work.

To summarize, peaceful settlement of labour disputes is efficient and economical guarantee of accomplishing the interests of employer, who can then freely employ people, who will more easily establish work relation knowing that they too can use the same method for settlement of labour disputes.

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PART TWO

NEW TECHNOLOGIES AND LABOR MARKET CHANGES



TECHNOLOGICAL CHANGES AND LABOR PATTERNS

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Abstract

This paper deals with the ways the ICT contribute to the expansion and diversification of flexible work practices, what are the impacts of new flexible work forms on the roles in organization, How to design a concept of “socially sustainable flexibility”, which would improve both the performance of flexible organizations and the level of well-being. A number of alternative forms of flexibility are at the disposal organizations – functional, numerical, temporal, financial and spatial – which have differing implications for managers and employees. It can be concluded that at the aggregate level, labor flows of all workers are accelerated by the combination of flexible job assignment practices and ICT. The paper focuses on the effects of new technologies and new organizational practices (introduced by firms in order to efficiently exploit these ICT) on labor flows of different professional categories. Information technology and its use represent an important part of technological change. The introduction of ICT is necessarily associated with changes in the organizational and skill infrastructure of the firms. In the Paper is supported the approach that takes a macroeconomic perspective that can integrate all the indirect effects through which technological change can affect employment, in the tradition of “theory of compensation”. This view takes into account different market compensation mechanisms that can counterbalance the initial labor-saving impact of process innovation: via decrease in prices, new machines, new investments, decline in wages, increase in incomes and via new products.

Keywords: *Information and Communication Technologies, Job Flows, Work Patterns*

INTRODUCTION

Rapid and fundamental changes in the way work in general is organized as well as in the technologies supporting modern work has been associated with substantial debate in organizations as well as amongst academics. Information or Service Economy applies highly flexible, and possibly wireless, information infrastructures supporting knowledge work.

The rapid adoption and intense use of ICT over the last two decades have provided alternatives and options for organizations' modern professional work for restructuring their business processes. The mobile phone or email, for example, provide both flexible and open-ended technologies for evoking interaction when needed by the individual professional, but they represent concurrently a source of disturbance.

The diversity of ICT support is visible in various categories of services, based on the distinction between technology supporting the management of complexity through processing information or management of uncertainty by generating new information, as through: the computational service which can alleviate situations of relative low complexity through simple encounters or transactions, e.g. an using a web-browser to look up; the adaptive service which support complex tasks where a longer relationship of adaptation is necessary, for example in a mobile location-based service where the specific configuration among a distinct set of possible locations of the mobile terminal is constantly updated.

In situations where uncertainty calls for the generation of new information, *networking* services can help with simple problems, such as three people using email, Instant Messaging or mobile phones to arrange where to meet for lunch.

In situations where more complex, yet uncertain problems are to be addressed, *collaborative* services can support mutual adjustment and ongoing documented interaction amongst participants, such as a group of designers collaboratively designing a car-component using a combination of shared workspace, awareness support and coordination mechanisms.

In the debates about the future of work in the information society, a set of common trends could be analyzed. They mainly concern dematerialization, skills, knowledge and training, flexibility.

The scenarios of the future of work also examine more fundamental changes in society: new definitions of the concepts of work, employment and activity; working time arrangement and reduction; the challenge of regulation. In this section, we will briefly present some of these trends that are particularly relevant as regards the development of telework or distance working:

- the dematerialization of economy;
- the restructuring of service activities;
- the new emphasis on knowledge and competence;
- the development of flexible organization and flexible labor markets.

The future of work in the information society is: the dematerialization of the economy, the increasing search of *flexibility in organization*, some new trends in *human resource management*.

This overview of the scenarios of the future of work and the discussion about flexibility mainly refer to the first report of the FLEXCOT project (TSER programme of the European Commission)

A key element in the information economy will be flexibility: of individuals, of organizations, of institutions and of society in general. It is often suggested that flexibility will be a key element in enhancing economic competitiveness and that the future economic health of Europe will rely to a large extent of the ability of economic actors and supporting institutions to develop such flexibility.

Flexibility is generally used to denote a new organizational form, whether at the level of the firm or at societal level, contrasting this with those organizational system(s) generally known as Fordism or Taylors, forms which are said to have characterized industrial economies during the period from around the 1920 to the early 1970s.

For the era of 1980s and 1990s characterized by globalization, increasing competition, more dynamic markets, greater and more sophisticated consumer demands, greater uncertainty, rapidly decreasing cycles of technological innovations, and the emergence of new information and communication technologies, it is argued we need more dynamic and flexible organizational and institutional structures. Within this framework of flexible organization, various scenarios of the future of work develop new visions of the labor market, (GROZDANIĆ et al., 2005).

Beyond the classical labor market with a classical organization of economic activities and “typical” workers’ status conditions, a lot of new forms of organization and status conditions are developed, analyzed or taken into account.

Flexibility is a common character of these “atypical” labor markets. Some visions of the future of flexible labor markets are oriented towards social integration (through ideas such as plural economy, intermediary activities, quaternary sector, or transitional labor markets), while others lead to a growing individualistic culture (through ideas such as self-employment, self-management or employability, GROZDANIC, R., et.al, 2000).

Telework or distance working may belong to each type of scenario even if, in Europe, the tendencies seem also to be different from a country to another, with quite different ways of implementing flexible labor markets. So, Flexibility appears as a portfolio word, including flexible organizations, flexible markets, flexible work patterns. Technology mainly refers to the new wave of information and communication technology (ICT), including Internet-based communication and transaction systems, mobile devices, computer integrated telephony, groupware, workflow, multimedia, etc.

Flexibility and technology are supposed to shape major trends in the evolution of quality of work and quality of life in the upcoming “information society” or “knowledge society”.

LITERATURE OVERVIEW

The impact of the new technologies changes, especially, of the information and communication technologies (ICT) have been largely analyzed by the economic literature. A review of the most relevant empirical evidence emerging from firm level studies mostly points to a positive correlation between innovation and employment. Innovating firms (introducing product innovations and also those introducing process innovations) grow faster and are more likely to expand their employment than non-innovating ones, regardless of industry, size and other firm characteristics (Pianta, 2005).

Most of these studies focused on manufacturing firms only. Harrison et al. (2005), conducting a study funded by the European Commission, using comparable micro-data from four EU countries, included the service sector and pointed out the differences between the sectors. In the report they concluded that “in manufacturing, although process innovation tends to displace employment, compensation effects are prevalent, and product innovation is associated with employment growth. In the service sector, there is less evidence of displacement effects from process innovation, and though less important than in manufacturing, growth in sales of new products accounts for a non-negligible proportion of employment growth” (Jaumandreu et., al., 2005).

Microeconomic empirical evidence will overestimate the positive effects of technology change (Spiezia, Vivarelli, 2002): the firms introducing product innovations as a result of new technology will increase employment due to the market share they gain as a result of innovation, and even where innovation is labor-saving the estimated impact on employment might be positive since it does not take into account the effect on competitors that are crowded out of the market by innovative firms, thereby losing jobs.

These considerations can be accounted for by conducting the analysis at the industry level, where the data captures the new hires by innovative firms, the indirect effect on competitors and the number of employees at the end of diffusion process.

However, even sectorial-level studies capture most of the direct and indirect effects of technology on employment taking into account all compensation mechanisms that operate outside the sector originally affected by IT use.

Studies on industries showed that employment impact of innovation is positive in industries characterized by high demand growth and an orientation toward product (or service) innovation, while process innovation leads to job losses. Not many of the studies focus specifically on ICT.

Matteucci and Sterlacchini (2003) used disaggregated data for Italian industries for 1997-2000 to test whether industries with greater ICT intensity experience higher rates of employment growth. They concluded that employment changes are not only associated with changes in output and unit labor costs but also with ICT intensity – with a negative relationship in manufacturing and a positive relationship in services.

While authors like Berman, Bound, and Griliches (1994), Fitz Roy and Funke (1995), Machin, Ryan, and Van Reenen (1998), Krusell et al. (2000) and Moreno-Galbis (2002) claim that the capital-skill complementarity relationship has led to a skill-biased technological change, other authors, like Caroli and Van Reenen (2001) argue that it is the internal re-organization of firms following ICT adoption that has been skill-biased. There are many scientific works on the complementary relationship between ICT adoption, inside organizational changes of firms and skills (Askenazy and Gianella (2000), Bresnahan, Brynjolfsson, and Hitt (2002) Cappelli (1996), Caroli and Van Reenen (2001) and Greenan (1996)).

There are many articles analyzing labor and jobs flows, such as Burgess and Nickell (1990), who developed a theoretical model distinguishing between the determinants of quits and layoffs in the manufacturing sector. Using Dutch data Hamermesh, Hassink, and Van-Ours (1996) describe the job flows within a firm, the job flows to and from the firm, the net employment changes within a firm and the patterns of hiring and firing. Burgess, Lane, and Stevens (2000), Neumark, Polsky, and Hansen (1999) or Valletta (1999) analyze the evolution job stability (job security in the last case) working with US data. Abowd and Kramarz (2003) address the extent of entry and exit of workers associated with job creation and destruction, the role of skill in simultaneous hiring and separation rates and the importance of short-term and long-term contracts in the adjustment process.

Related theoretical literature concerns Michelacci and Lopez-Salido (2004), Bauer and Bender (2002), examine the impact of ICT on gross job and worker flows. The authors conclude that the organizational change is skill-biased since it leads to higher job destruction and separation rates for low- and medium-skilled workers, while employment patterns of high-skilled are not affected significantly.

Neumark and Reed (2004), estimate a positive link between new economy jobs, defined either as employment in high-tech cities or as industry employment growth, and contingent or alternative employment relationships. Jones, Kato, and Weinberg (2003) determined how the quality of jobs is affected by the managerial decision on business strategy.

They conclude that in medium sized-establishment located in depressed areas and with workers of low-educational level, the proper adoption of ICT practices can yield favorable worker outcomes: workers are more empowered, satisfied, committed, trusting, communicative and hardworking. Moreover, on the basis of the European Survey on Working Conditions, Bauer (2004) also finds that higher involvement in ICT practices is associated with higher job satisfaction. Finally, Givord and Maurin (2004), using the French Labor Force

Survey, develop an econometric analysis trying to identify the structural factors that have driven the upturn in the risk of involuntary job loss experienced by French workers over the last 20 years. They conclude that technological change seems to be at the origin of the increased job insecurity, but its effect may be mitigated by institutional changes, (GROZDANIĆ et. al. 2008).

ICT AND THE DEVELOPMENT OF FLEXIBLE WORK PATTERNS

Flexible work practices and communication technology, (FLEXCOT) propose a characterization pattern of flexible and/or atypical work forms, (Table 1), including both emerging and well-known forms (Vendramin P. et al., 2000). Beside its links to the use of ICT, flexibility is determined also by: increasing competition, globalization, just-in-time production, growing diversification of consumer demands, changes in the composition of the labor force. Nevertheless, two important features must be mentioned:

- The diversification of flexible work forms, at the enterprise or sectorial level, is very often linked with the diffusion of new ICT applications and services. There is an interaction between technological innovation and organizational changes. ICT supports and fosters the implementation of flexible work forms and increases their efficiency.
- ICT is first of all a technology of management of time and space. As a consequence, the increasing use of ICT is blurring the boundaries between working time and other social times, between professional and personal spheres.

Table 1: Flexible work forms

Working time	Work location
Variable part-time working Flexi-time working Shift work Twilight-shift, night-time or week-end working Overtime working (including unpaid overtime) On-call working, on-line stand-by	Remote office working, external call centers Mobile working Home working, telecommuting Working in telecentres or telecottages Hoteling Remote computer supported teamwork
Work contracts	Subordination links
Fixed-term or temporary contracts Job sharing Annualized hours Zero-hours (without fixed work volume) Piece work Performance related pay	Working for an agency Self-employed sub-contractor Employed by third party supplier Work contract transferred to third party supplier Working for several employers Franchising
Functional flexibility	
Horizontal or vertical polyvalence, changes in specialization areas, multi-tasking Multiple skills, functional mobility, adaptability Lifelong learning, learning organizations	

Source: Vendramin P. et al. 2000: 59.

The roles of technology in supporting and developing flexible work forms are given in next table.

Table 2. *The Roles of ICT in Flexible work forms*

Working time	Work location
Extending services accessibility, lengthening of the working day. Tuned management of task flows and quantitative manpower needs. Just-in-time production in services	Extension and diversification of distance working and itinerant working. Remote organization and planning of project work and management by objectives. Ubiquitous work.
Work contracts	Subordination links
“Just-in-case” manpower management. Modeling and planning of atypical work contract management. Electronic performance monitoring coupled to performance-related pay.	Support to subcontracting and externalization. Coordination of remote independent subcontractors. Increasing job detachment and third party supply in ICT industries and services.
Functional flexibility	
Support to integration of tasks and polyvalence. Increasing role of communication skills. Incentive for continuous professional adaptability.	

Source: Vendramin P., Valenduc G., 2002:77-99.

The ICT interacts in complex ways with other drivers to impact upon work and work organization. The impact of ICT is mediated through a series of “institutional filters”. The most important filter is management strategies, which are almost universally concerned with enhancing operational efficiency and cutting costs. ICT does not have a particular organizational logic.

Indeed, management in individual firms often introduces what would appear to be contradictory logics around the same technologies. However, ICT allows management to extend his organizational repertoires, permitting multiple formats, each designed to maximize profit.

The “communication” element of ICT, through allowing access to and manipulation of the same data and information by multiple workers and organizations, across space and time, enhances organizational trends: blurring boundaries of working time and work location, growing importance of

relationships with clients and partners, increasing role of communication skills in workers' profiles, new production rhythms in industry and services, networking and outsourcing.

Table 3. *Categories of flexible working practices*

Employer friendly or employee unfriendly – sought by employers	Employee friendly or employer unfriendly – sought by workers
Temporary working (Involuntary) part-time working Zero hours contracts Overtime Shift working Annualized hours Stand-by and call-out arrangements Seasonal work Job-and-finish	Flexible start and finish times Term-time working (Voluntary) part-time Job-share Compressed working weeks Shift swapping Self-rostering Time off in lieu Sabbaticals Career breaks

Source: Vendramin P., Valenduc G., 2002:77-99.

All the emerging forms of distance working have two characteristics in common. They target a new niche in the services market: the provision of services at a distance, by means of communication technologies.

On the other hand, they reinforce the most flexible forms of work organization, which overcome constraints of time and space. Projects of telecenters or satellite offices were designed within local or European programmes aiming at regional development and social cohesion, which are of course stimulating purposes. At the contrary, some call centers develop flexible work practices with very hard working conditions.

These issues are particularly relevant as regards the development of telework. A second point will examine the current trends in the development of telework. It will point out that the most widespread forms of telework are not home-based telework as such, but new forms of organization of work based on communication technology, for instance: mobile telework, new enterprises providing teleservices, "mixed" telework combining, various workplaces on irregularly basis.

The common characteristic of these forms of organization is the search of flexibility. Given the diversification of forms of telework (home-based telework, mobile work, call centers, etc.), it is often used the expression *distance working*, although "tele" and "distance" are objectively synonymous.

Six major categories of telework can be distinguished:

- home-based telework;
- telework in satellite offices;
- telework in telecenters or telecottages;
- distance working companies;

- mobile telework;
- mixed telework.

The growth of home-based telework in certain European countries is principally due to self-employed labor. It is the consequence of strategies for downsizing and outsourcing used by many companies [Gillespie & al., 1995]. The direct consequence is externalizing of certain tasks to a network of small companies and self-employed persons, at times former employees.

Finally, the rose-colored picture of home-based telework holds for a very small minority. One key determinant of an organization's ability to respond effectively to a changing and uncertain business environment is the flexibility and adaptability of its workforce.

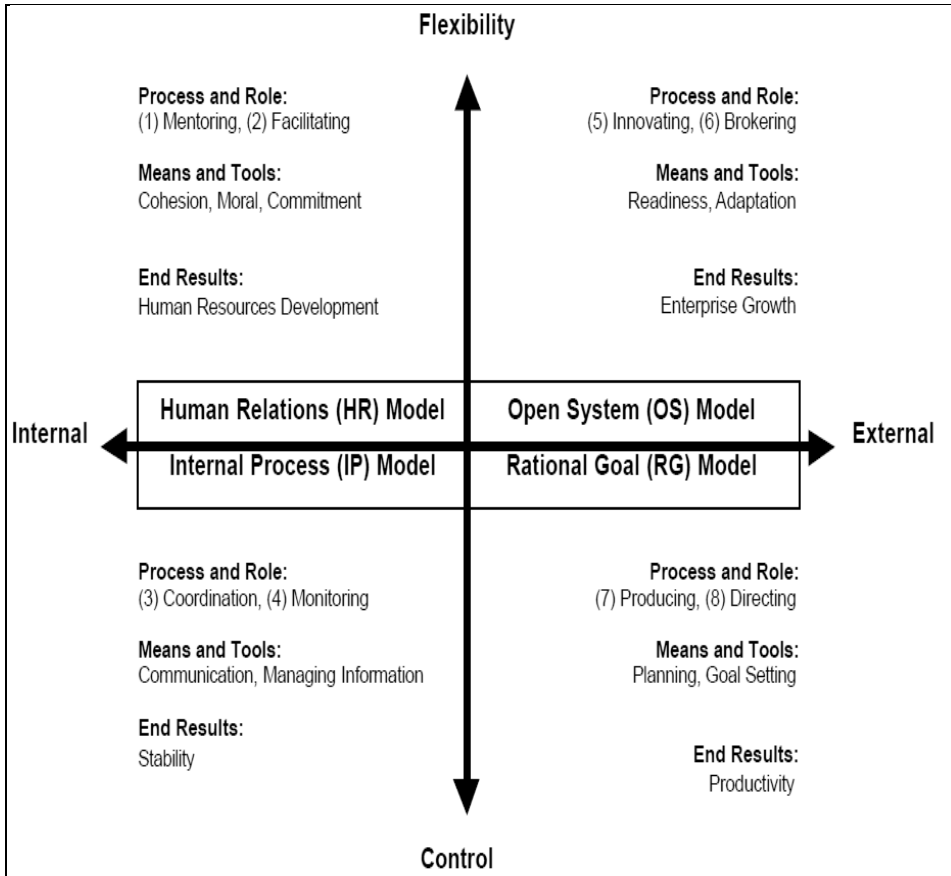
The notion of Post-Fordism is associated with flexible, adaptable business processes that are able to respond rapidly to changing circumstances, such as variation in consumer demand, which require both individual and collective employee flexibility. Flexibility of labor is reflected in an employer's ability to: recruit or dispose of labor as required; alter labor costs in line with market needs; allocate labor efficiently within the firm; and, fix working hours to suit business requirements (Reilly, 1998).

It is often in use, Functional flexibility, as the ability of employees to undertake a range of tasks, either horizontally (employees are multi-skilled to perform a range of tasks at the same organizational level) or vertically (employees have increased managerial or supervisory responsibility).

A distinction is made between multi-skilling (providing employees with a range of transferable skills, associated with vertical functional flexibility, empowerment and enhanced terms and conditions) and multi-tasking (expanding the range of tasks and responsibilities of an individual horizontally, associated with work intensification and no commensurate improvement in reward). Quinn and Rohrbaugh (1983) characterize professional roles in terms of the contradictions between the demands of professionals within two dimensions:

- organizational preference for structure between stability and control as opposed to flexibility and change; and
- organizational focus between internal and external. This analytical framework proposed eight professional roles spanning the four categories obtained by combining the two dimensions, what is described in the (Figure 1).

Figure 1: Computing Value Model (Adopted from Quinn and Rohrbaugh, 1983)



The *mentoring* and *facilitating* role represent work with an internal change perspective. The *innovator* and the *brokering* role also emphasizes flexibility and change, but with an external organizational perspective.

Roles aimed at addressing organizational need for stability and control are the *coordinating* and the *monitoring* roles internally, and the *producing* and *directing* roles externally. We see these roles as analytical elements describing the daily challenges facing modern professionals. To flexible patterns of work are connected also further terms:

- **Financial (or wage) flexibility.** Employee reward is linked to individual, team, department, divisional or organizational performance, through such techniques as individual or team performance-related pay, commission, bonuses and profit sharing.

Wage flexibility seeks to promote individual association with the goals and objectives of the organization, link individual performance with that of the firm and ensure that wage costs closely match individual and business performance.

- **Numerical flexibility.** This reflects the organizational ability to alter the number of employees it directly employs. Firms seek the ability to hire, fire and re-hire workers with relative ease resulting in insecurely or irregularly employed workers.

This form of flexibility is associated with the use of casual, short-term, temporary, agency and self-employed workers and the outsourcing and sub-contracting of certain activities.

- **Temporal flexibility.** This is the organizational and individual ability to vary the number and timing of hours worked, and is associated with non-standard patterns of working that diverge from the 9–5, 38 hour working week.

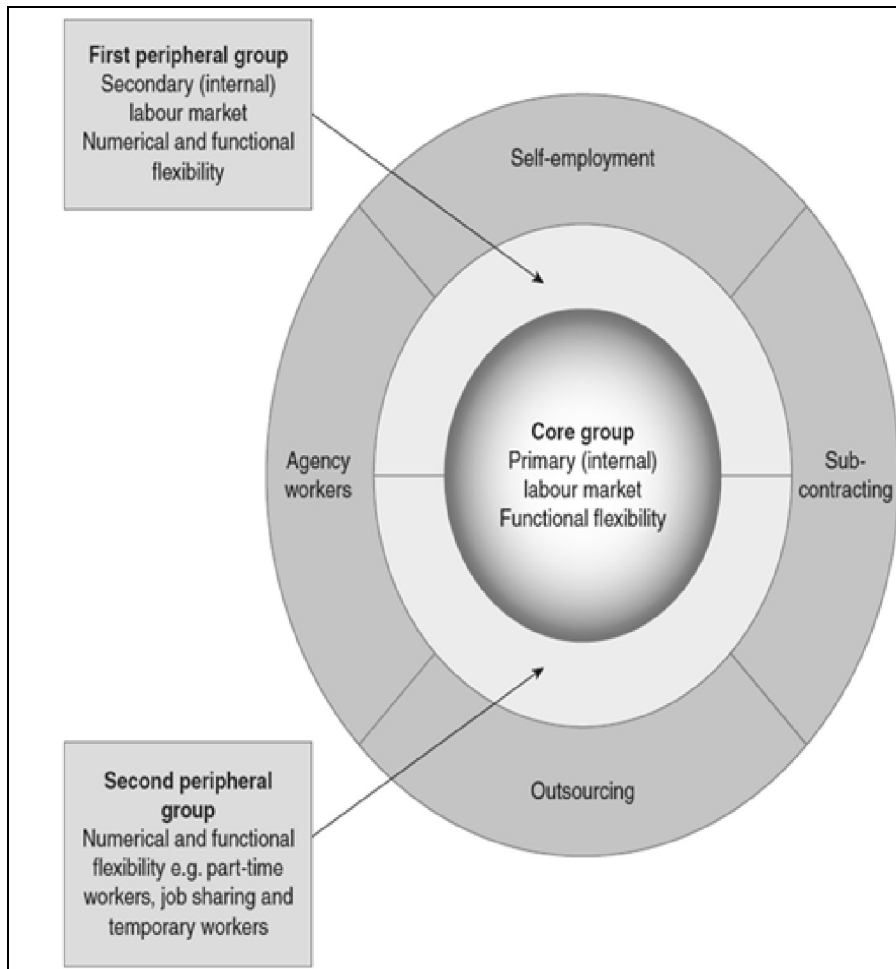
Such arrangements include part-time working, flexi-time; shift work, weekend work, overtime, stand-by and call-out arrangements, annualized hours, term-time working, compressed hours and seasonal working.

- **Spatial (or locational) flexibility.** This refers to flexibility in the ‘location’ of employment through, for example, home-working, hot-desking or desk-sharing, teleworking and the use of consultants or freelancers.

Often this is implemented either to reduce overhead facilities costs to the employer or to respond to work–life balance demands of workers.

Employer reasons for introducing flexible working practices are mostly to: improve staff retention, to enhance reputation as an ‘employer of choice’, in response to requests from staff and in response to government legislation.

However, firms cannot necessarily be so clearly categorized as adopting either a ‘hard’ or ‘soft’ approach to employee flexibility given that different forms of flexibility might be appropriate for different workforce segments. The model of the flexible firm, (Atkinson, 1984), shows the different approaches to flexibility of an organization which might adopt changes depending on the types of labor employed (Figure 2).

Figure 2: The flexible firm

Source: (according to Atkinson, 1984:20)

Different forms of flexibility can be utilized within the same firm depending on both the utility and value of the employee to the firm and the nature of the employment relationship in each instance.

The core group is comprised of highly skilled, valued workers whose capabilities might be firm-specific, scarce in the external labor market and are central to the core activities of the firm.

Under the resource-based view of the firm, they constitute a unique resource and, therefore, the emphasis is on a strong internal labor market to ensure their retention. Flexibility among this core group lies in their continuous development and deployment of a range of skills and capabilities, so it concludes:

1. **Core group:** Primary (internal) labor market, Functional flexibility, Outsourcing Agency workers, Self-employment, Subcontracting
2. **First peripheral group:** Secondary (internal) labor market, Numerical and functional flexibility, is comprised of employees who possess skills needed by the firm but that are not firm-specific (for example, general ICT skills).

The firm offers limited scope for movement to the core and few career prospects, preferring to accept a reliance on the external labor market to fill these posts and tolerating a degree of labor turnover. They provide both functional and numerical flexibility

3. **Second peripheral group:** Numerical and functional flexibility e.g. part-time workers, job sharing and temporary workers, consist of workers employed under 'non-standard' contractual arrangements and who provide both temporal and numerical flexibility.

The final group of employees contains all those workers not directly employed by the firm, such as sub-contractors with skills and knowledge that are only temporarily required by the organization

A general scenario for the future for all forms of flexible patterns of work depends of the purposes of work, which can be considered as: *means for integration and cohesion, a way for implementing flexible work patterns and for setting up more flexible organizational methods*: it combines classical forms of flexible working (part-time work, short-term contracts, polyvalence, 24-hours office operation) with the new potential of advanced communication technology; as corporate initiatives in response to large trends in the organization of the economy.

There are two kinds of dynamics in the development of flexible work: policy dynamics and market dynamics. Distance working enterprises, mobile work and mixed telework are pushed by market forces. Such projects must be profitable and competitive. Telework is used, for example as a means for increasing the flexible response of the firms to economic pressures.

Projects driven by policy dynamics have different purposes, such as revival of rural areas, local development, training and insertion of unemployed and disabled people, job creation, and reduction of transport congestion. They are developed within public programmes or through institutional partnerships associating enterprises and public authorities.

CONCLUSION

The main objective of this paper was to bring light to the effect of ICT on labor flows and working patterns. The labor market context of contemporary work organizations is highly fluid and unpredictable, shaped by a wide range of economic, social, technological, legal and political factors.

Changes to the supply of labor, for example, changing demography, education and social attitudes influence the approach an organization takes to HRM, particularly employee resourcing and the design of jobs. Developments associated with the knowledge economy, such as the intensifying global economy and the rapid development and diffusion of ICT, and its consequences, such as the rapid expansion of higher education, provide the backdrop against which to better understand the range of current challenges and opportunities for HRM.

An increasingly competitive and unpredictable global economy is argued to necessitate greater flexibility of both organizational form and labor. A number of alternative forms of flexibility are at the disposal organizations – functional, numerical, temporal, financial and spatial – which have differing implications for managers and employees. It can be concluded that at the aggregate level, labor flows of all workers are accelerated by the combination of flexible job assignment practices and ICT.

In contrast, the traditional systems of production (chain production systems) reduce the labor flows. In terms of job categories, the labor flows of managers are stimulated by ICT practices (more particularly by the presence of just in time production systems, reduction of hierarchical levels, autonomous teams of production or multidisciplinary groups) while new technologies accelerate labor flows of intermediate professionals, manual workers and employees. For the last ones, complementarities between ICT and flexible job assignment practices have been a key determinant in the increased job instability.

The organizational and social dimensions of the implementation of flexible work practices are critical issues for the future of flexible patterns of work, among which is most interesting –telework.

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THE IMPORTANCE OF KNOWLEDGE MANAGEMENT FOR INCREASING EMPLOYMENT

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Abstract

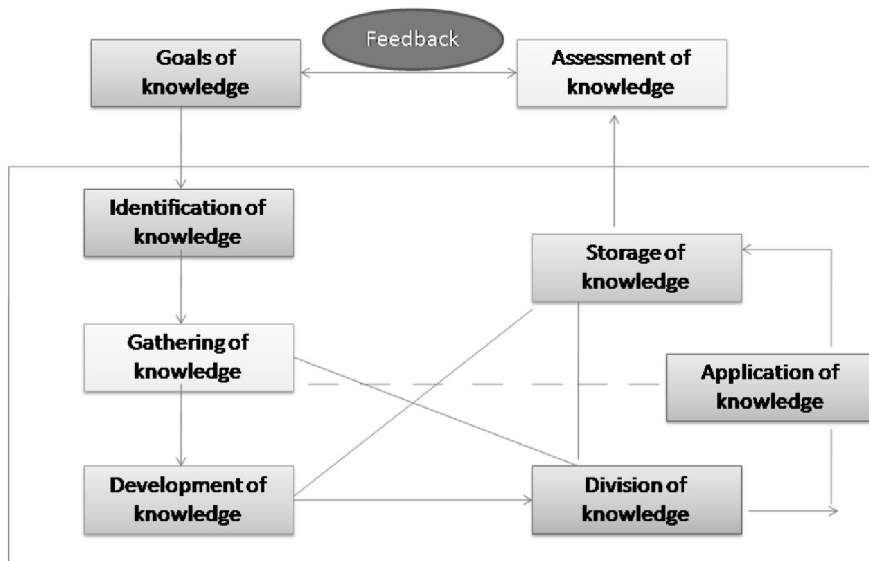
Today's economic conditions, as we know, do not impose only the need to adjust an organization, but also the need for employees to adjust to the organization itself. The times we live in are called the "era of knowledge", where learning is not applicable only to people, but more often it is also associated with organizations and technical systems. The very process of knowledge management entails a group of activities by whose carrying out we create the preconditions to realize the goals of individuals, groups and organizations - effectively and on time. This paper discusses how this very complex and complicated process, made up of several interconnected and conditioned activities, influences entrepreneurship development.

Keywords: *knowledge management, employment, education, entrepreneurship, knowledge economy, ideas, visions, flexibility, education strategy.*

INTRODUCTION

Only a successful process of knowledge management (hereinafter: KM) can contribute to an effective and efficient functioning of the organization and its adaptation to the demands of the environment. In literary sources, there are several definitions of the knowledge management processes, defined by B. Gates, AD Little, RL Ruggles, P. Heisig, M. Binggeli [3] and numerous different authors. Probst, Pauli and Binggeli [3] have drawn up a model of the process of knowledge management (Diagram 1) [This model is comprehensive and indicates the steps and activities which make the knowledge management process with precision [3].

Diagram 1. The Knowledge Management Process



Source: Adapted from Management, Loncarevic, 2006, p. 4101.

Along with the usual apprehension of knowledge as an expression of human intellectual power (F. Baxon [3]: knowledge is power), it is necessary to take into consideration some other dimensions of knowledge, particularly in terms of its formation, as these dimensions are very important for entrepreneurship. Thus, this term refers to the complex procedure of collecting various facts and data about an insufficiently known phenomenon, about their selection and analysis, the generating of information and its transformation into knowledge, which for entrepreneurship can be the basis for generating some new ideas (nous), as well as visions, and for knowledge as a base to seek some new, different, better, more progressive, safer, and more effective designed solutions. [3]

Even back in 1991, the famous Japanese theoretician Ikujiro Nonaka, wrote “in an economy where the only certainty is independence, the only definite source of permanent competitive advantage is knowledge” (Nonaka I., Takeuchi H., 1991. p. 96). Thus, he makes a distinction between two types of knowledge:

- Explicit, as formal and systematic knowledge, which can easily be transmitted and shared, and
- Mute or tacit knowledge which consists of the sum of all the skills, techniques, and experiences based on the attempts and mistakes which a person has experienced in practice.

An organization adapts to constant changes in the environment, and employees have to adapt to the changing demands of certain jobs. The current applied knowledge is short-lived, which is the reason why high school and college education is considered to be one of the basic requirements for employment and it is also one of the prerequisites for life-long learning. Thus, education and the professional adjustment of employees becomes one of the crucial factors of organizational and individual successful performance. A very significant factor in the employment of youth is education, because youth is a period of life when the acquisition of learning and skills, within formal and informal learning, is very intensive and important. From the perspective of society, the development of education indicates the level of a country’s cultural and economic development. It is very important to have a literate, educated and working-age population within a society, in order to enable faster and more effective implementation of skills in the community.

In practice, more prevalent are flexible forms of employment, due to the adjustments of consumer-market requests.

The influence of KM on the development of entrepreneurship is visible through the acquiring of new knowledge, capabilities and skills, which are necessary for undertaking new, more responsible and complex jobs and positions, and for preparation for the future, as well as for the demands which have yet to emerge. With this development, the total individual potentials are broadened and expanded, creating the preconditions for a more successful performance at not only the existing jobs, but also future jobs and demands.

KNOWLEDGE MANAGEMENT

The process of KM includes performing numerous activities. The core of these activities is the generation, storage, distribution and the application of knowledge.

When speaking about the KM process, it is necessary to find adequate answers to the following questions:

- What to do? And,
- How to do it?

Finding out the adequate answer to the question “What to do?” meaning which steps to undergo, is the first step to successful KM. The next step is to find out and apply adequate answers to the question “How to do it?” and it means the selection and usage of diverse methods, techniques and procedures. When answering the question “How”, there are more aspects in the function of achieving goals of individuals, groups and the organization in its totality, those being the following:

- The identification, acquirement, development, division, usage and storage of knowledge,
- The application of methods, techniques and procedures of KM which provide the best results,
- Creating an environment (infrastructure, corporate culture and motivation) which allows efficient KM realization – for each one individually and for all of them together. Along with the fact that all participants are KM managers (each one in accordance to their place and role in performing the tasks of the organization), the managers are those responsible for all the processes and results in the organization. The views of Little (Little, A.D.) are well known, who mentions the coordinators of knowledge, advocates of knowledge and stewards of knowledge. Table 1.

The effectiveness and efficiency of managers in KM depends on several factors, among those the most important are the following: [5]

- The roles they perform,
- The capabilities they possess,
- Motivation.

Roles. A manager’s role in KM is a very important factor of knowledge management performance - for each KM manager by himself and together as a whole. Therefore, the roles of the manager in KM must possess features that are adapted to the needs of an efficient knowledge management. Accordingly, the roles and goals of KM managers must be precisely defined and described.

Defining and delegating roles in KM is an extremely complex process. Numerous factors must be taken into consideration. Among them, the most significant are the type and size of the organization, and the position and

importance of a manager in the organizational hierarchy. Besides that, delegating roles in KM must also take into account the relevant demands of an external character and their dynamics, because only in such a way can adequate prepositions for a successful execution of the knowledge management roles be created, and therefore, adequate answers to the challenges given to organizations by their surroundings are provided.

Table 1. Roles of management in KM according to the ADL concept

ROLES	DESCRIPTION	GOAL
COORDINATOR OF KNOWLEDGE	Strategic role in defining, communication and coordination of knowledge management activities	Strategic role of knowledge manager, processes and conditions (demands) of technology. Informing the steward of knowledge of the newest findings within the area of KM. Coordination of knowledge management development and providing input content for a particular area/continent.
ADVOCATE OF KNOWLEDGE	Top manager and expert	To represent the group which conducts communication in KM. To provide support when activities of knowledge management and global coordination are carried out. To provide orientation in KM.
STEWARD OF KNOWLEDGE	Role of operational care for the results of knowledge management activities.	To manage the results of the KM group. To inform the group about KM procedures. To make a connection between the group and the KM global team. To ensure global coordination.

Source: Adapted from Loncarevic, Management, 2006.

Abilities. An adequate allocating of roles is needed, but it is not a sufficient precondition of success in KM. The second, also very important condition is the

ability of the managers as factors of knowledge management. This is due to the fact that possessing the ability for KM is a very important precondition of a successful knowledge management process as a vital part of the KM manager's task.

For a successful creating, storing, distributing and application of knowledge, not only technical, interpersonal and conceptual knowledge and abilities are required, but there is also a need for certain specific capabilities. This entails the abilities for a successful performing of each activity of KM on its own – but this is also a part of the complete KM process. Regarding that, Vorbeck and Finke, as well as Warren Bennis, gave interesting opinions.

Vorbeck and Finke are of the opinion that all KM managers must possess the following abilities: [3]

- To create knowledge: the ability to learn, the ability for creative thinking, and the ability to communicate;
- To store knowledge: the ability to structure knowledge and systematize the storage of knowledge;
- To distribute knowledge: the ability to comprehend the value of knowledge, team work ability and the ability to use the media for the distribution of knowledge.
- To apply knowledge: the ability to carry out knowledge and the ability to use the media in the process of knowledge application.

Successful knowledge management presupposes that the relevant individuals possess the following:

- Technical abilities: the ability for business dealings and the understanding of business,
- Conceptual abilities: the ability for strategic or abstract thinking,
- The ability to keep a record of the history of results,
- An interpersonal ability: the ability to communicate, motivate and delegate,
- A sense of identification and cultivation of talent,
- An ability of estimating: the ability for making hard decisions within a short time frame with insufficient data and
- Character: the quality that defines who and what are we.

Motivation. Successful KM also includes relevant motivation, because motivation is an important factor of the behavior of KM managers in performing their roles.

In essence, the motivation of managers for successful KM lies in their responsibility for KM and the effects of such behavior. Considering the fact that those are individuals who are aware (know) that responsibility is an important factor of the successful performing of each task, as well as personal responsibility. [1]

KNOWLEDGE MANAGEMENT AND DEVELOPMENT OF ENTREPRENEURSHIP

In our time, there is a need for continuous learning and understanding the ever-changing new circumstances which are created in rapidly changing internal and external circumstances of any company. Changes have become a universal allegory for our existence, as everything changes continuously, while the only thing that does not change is change itself. In the era of knowledge, an intellectualization and sophistication of all sides and segments of our lives, all our roles and methods of their carrying out are undergoing crucial changes. Thus, management methods require three important changes:

- From hierarchy toward networking,
- From training to learning,
- From competition toward cooperation.

Such a trend also requires a new approach to knowledge as a strategic asset of each organization, as opposed to not so long ago when the focus was either technology or the buyer. Thus, Knowledge is What I Know. The concept of KM takes shape as an increasingly acceptable tool of increasing work productivity at all levels: from the individual to the work we perform as members of an organization, but at the same at the level of society as a whole, even to the level of the whole of humanity.

Knowledge is a significant recourse which always and inevitably brings change because it always questions (entailing a change in perception) and disrupts each observed state of things, from the abstract to the concrete, and therefore it is eternal and in inconsumable fuel of change - and therefore the current need for its rapid creation is understandable with the ever-growing application of management and its increasing efficiency. Diagram 2 gives an illustration of the pyramidal structure of knowledge.

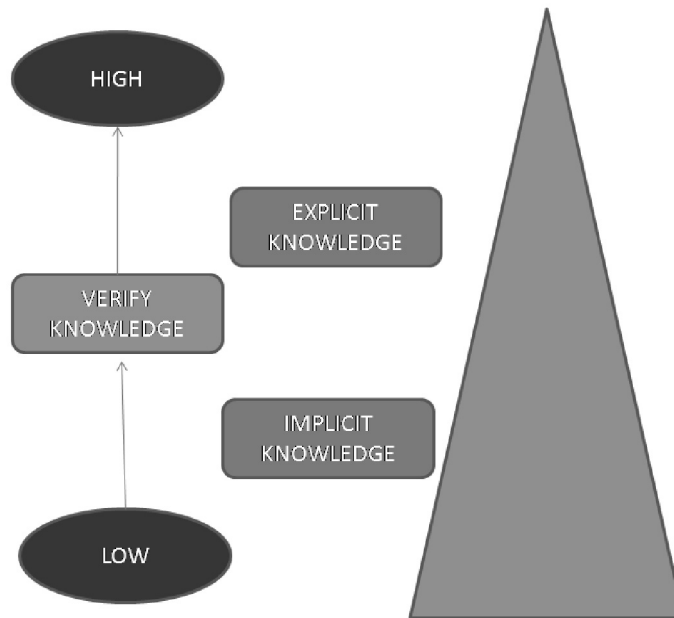
KM is the most significant factor of a good adaptation and response of the organization to the challenges of its environment. Based on this approach, there occurred a new concept of management, known as knowledge management. Thus, KM is a concept of management that has appeared during the last decade. Its arrival has caught the attention of both theoreticians and practitioners.

As a separate concept of management, management of knowledge has become a significant part of management as science and practice. The factors which had an influence on this were the following: the continuous increase of scientific symposia, seminars and workshops on the subject of KM theory and practice,

- An increasing number of researchers – and not only within scientific institutions but (even more so) in profit organizations (especially in big corporations),
- A continual increase of the number of scientific and expert studies,

- The use of KM in numerous scientific studies,
- Incorporating KM as a scientific-teaching discipline in syllabuses within an ever-growing number of universities,
- The increased usage of KM in practice (particularly in profit, but also in non-profit organizations).

Diagram 2. Pyramid of Knowledge



Knowledge management is seen as the following: (Loncarevic, 2006, p. 415)

- Management of information flow (information containing knowledge),
- A process of performing KM activities,
- A complex multidimensional process.

Management of information flow. The thesis that KM includes a management of information flow is held by theorists and practitioners whose approach towards KM is based on informational technologies. Thereby, they recall the views of Bill Gates, who claimed the following: First, knowledge management is nothing but the management of the flow of information, “Acquiring the right information for those in need in order for them to react to it quickly”; second, that his goal is increasing the intelligence of the institution, meaning ‘the companies’ IQs, and third, that management does not refer to technology – “It begins with business goals and processes, but also with the realization about the need of sharing of information.”

The process of carrying out KM activities. Knowledge management is not perceived only in the light of information flow managing. On the contrary, KM is also defined as a process of the managing of knowledge whose core contains the generating, storage, distribution and application of knowledge, needed for achieving the goals of the organization. Such a viewpoint of KM, which is in essence, a product of a business-oriented approach to managing knowledge, is claimed (so far) by the majority of management researchers. That is also the reason why the majority of literary sources about KM are in essence elaboration of activities in order to secure an efficient process of managing knowledge.

Knowledge management as a complex multidimensional process. A holistic treatment of the essence of KM is increasingly mentioned in management, both in theory and in practice. The most famous promoter of this approach is Arthur D. Little, an MIT professor (and also the owner of one of five largest and most successful consulting corporations). His approach to management of knowledge is known as a multidimensional process and it is very successfully applied in practice, demanding a simultaneous efficient management in the following four areas:

- **Content**, which includes data, meaning information of value for achieving results,
- **Culture**, which represents the cognitive frames of views, values, norms of behavior and expectations shared by all the members of the organization,
- **Process**, which should include the process of identifying knowledge, gathering knowledge, division of knowledge, usage of knowledge and storage of knowledge, and
- **Infrastructure**, which is composed of the informational system and KM managers.

Besides the issue of measuring knowledge, the identification of knowledge is also important, which means comparing the levels of knowledge as an important premise of its management. Table 2.

However, along with understanding and ranking the existing levels of knowledge, it is also necessary to improve the process of monitoring or editing knowledge, as a condition for successful knowledge management on the corporate level. In that area, management has an enduring obligation to search the answers to the following questions: [7]

- What does your organization know?
- What doesn't your organization know?
- Who needs that knowledge?
- Who knows what?
- Are they inside or outside of organization?
- Do your leaders understand the meaning of knowledge?
- The value of knowledge?

- Do leaders apply examples?
- Does your organization systematically organize and transfer knowledge within it?
- Does it systematically collect and exchange knowledge?
- Is an increase of knowledge beneficial for all company members?
- Does your work environment accept knowledge?

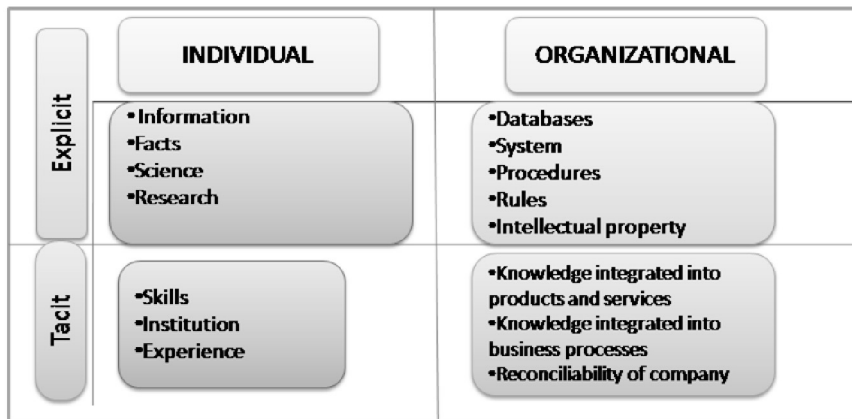
The total quality of intellectual capital in different environments will be marked by different components and their combinations, but it is always necessary to include all of them. A total replacement of one component with another, even when this would be desirable, is not completely possible. In other words, it should be known that expanding knowledge in itself cannot make it possible to accomplish everything when it comes to desirable changes, transitory movements, etc. Besides knowledge, as a needed and inevitable precondition, it is also necessary to provide other adequate conditions. Willingness, readiness, motivation, vision, etc., are obviously among those preconditions. This position relies on the fact that knowledge is short-lived (it is estimated that the knowledge expiry period has dropped to a mere 3, 5 years), and technology is quickly replaced (in EU countries it is estimated that 80% of all technology will be replaced within 10 years) [7], and therefore, experience is becoming more relative, so that new ideas, visions, creativity and innovation have become the most important components of intellectual capital.

The computerizing of almost all production and business processes brings in a new fact, meaning a resource with completely different characteristics when compared to standard resources, and that fact is - **information**. Its first trait, and from the point of view of human civilization, the most important one, is the fact that with usage – again, unlike the other, standard resources – it is not spent, but on the contrary, it is even expanded. All this has enabled the inception and continual acceleration of thus far the greatest *intellectual revolution*, which dramatically changed all the previous approaches, whether in assessing the value of all input factors, or in the same way as evaluating the achieved results and their different connotations, qualitative, as well as quantitative. Thus, the intellectual revolution will provide for one another revolution – a revolution in entrepreneurship. And after that, a permanent connection will emerge: knowledge will be transformed into entrepreneuring artifacts (new products, new processes and new services), while these will bring in new capital for new investments into new knowledge (fundamental, applied, developmental, etc.) and so on, into a new, even broader spiral. This will not be a circle, it will not lead to the beginning, but always to new frontiers of the unknown, the uncertain, challenges, risks, profit, etc.

We have pointed out that it is necessary to logically, analytically and practically distinguish between two different ways of knowledge: explicit and implicit. A detailed typology of knowledge also offers some other divisions (M. Zack) [7], such as for example: declarative knowledge - to know something about somebody or about something; rational knowledge - to know who or what, with whom or with what; conditional knowledge - when to know something; procedural knowledge - how to know something.

Diagram 3 presents the relation between explicit and implicate knowledge.

Diagram 3: Typology of knowledge.



This division has stressed the importance of a differentiated observation of explicated and formalized knowledge - it is embodied in different technologies, documents, procedures, projects, formulas, drawings, databases, etc., from those bodies of knowledge which are quietly being enhanced and cumulated within each individual as a special aspect of their individual ability, intellectual power and culture. That knowledge is always greater than it can be formally expressed and measured. But, at the same time, this knowledge is a certain path toward wisdom which merges past experiences and future visions.

The division of knowledge between explicit and tacit is particularly important. This division is especially significant from the point of valorizing a total property value of a certain company and the size of its capital. There are very successful methods of assessment developed to that purpose, to appraise intellectual capital, which is often significantly larger than the value of property (real estate, buildings, machines, infrastructure, etc.).

Intellectual capital includes everything related to knowledge, values, opinions, imagination, intuition, metaphors, analogies, etc. and it is understandable why its influence grows continuously. Mute or tacit knowledge within the domain of subjective, cognitive, and experimental learning is the reason this sort of capital is enhanced, while explicit knowledge (data, information, policies, procedures, algorithms, software, etc.) is more objective, rational and mostly technical.

It is the mission of KM to speed up and facilitate the conversion of mute or tacit knowledge into explicit, but also vice versa, and to the benefit of a better application of the available human potential and available information.

Contemporary processes of company transformation which are a result of rapid changes in technology, organization, management, and in the structure of knowledge itself, are daily enhancing the importance of human capital (namely, intellectual, social and emotional) which is most obvious through the correlation of the market value of a certain company and the value of its property.

Still, in order for organizational knowledge to become strategic property, it must possess at least four important characteristics: uncommonness, value, originality and immutability.

For KM and the influence it has in the development of entrepreneurship, it is important to know that KM, as a system of knowledge, skills and as a process that enhances the transformation of information in effective knowledge, is gradually going through a transition towards idea management, as ideas being the products of the mind (wisdom) are the essence of human creativity, which can uncover new ways for the future, for liberty, prosperity, humanity, goodness, and beauty to be enacted.

Table 2. Levels of knowledge

Level	Title	Comment	Typical form of knowledge
1.	Complete ignorance	/	Nowhere
2.	Awareness	Pure art	Mute, quiet (tacit)
3.	Measurement	Pre-technological	Written
4.	Average value control	Scientific method of conducting	Written and embodied in hardware
5.	Capability of processing	Local recipe	Hardware and manual conduct
6.	Process characterization	Change in order to reduce costs	Empirical equations
7.	To know why	Science	Scientific formulas and algorithms
8.	Complete knowledge	Nirvana	/

THE EDUCATING OF EMPLOYEES

The current applied knowledge is short-lived, which is why school and college education is understood as one of the basic requirements for employment and also one of the prerequisites for life-long learning. Thus, the educating and professional adjustment of employees becomes one of the crucial factors of successful organizational and individual performance. The educating and professional adjustment of employees is a very important function of management, and those activities can be realized through instruction (training), learning, education, professional adjustment and also through the professional development of the employees. There is no crucial difference between the two synonyms - training (instruction) and training, as their meanings mostly coincide.

Instruction (Training) is a process of acquiring all the required skills and knowledge for a successful realization of some specific job. The rule is that instruction (training) is oriented toward ongoing work and the present, which makes it significantly different from education. Usually it is used as a synonym for training.

Training can be defined as an effort to improve the performances of the employees at work. Therefore, it entails organized and programmed practice, an improvement and an adjustment of certain physical or intellectual activities, meaning characteristics. The results of the training are mostly evaluated through changes in specific knowledge, abilities, skills, opinions, or work behavior. In order for training to be successful and useful for the organization as well as the employees, it should be adjusted to the work demands. Attention to detail and timely planning is particularly important, but training sometimes has an even broader definition - a process of a change of the behavior and attitudes of the employees, in such a way as to enhance the chances of achieving set goals.

Learning is a process of gathering knowledge and skills necessary for a successful carrying out of particular jobs. It is achieved through the education and practice. A reasonably lasting change of behavior at work is a result of learning. Therefore, the results can be judged only on the basis of behavior change, for instance, in the enhancement of responsibility toward work, the improving of work results, improving relations with colleagues, etc. If the desirable changes do not appear, the results of learning cannot be considered satisfactory.

Education includes the expanding of the total knowledge, the abilities and skills for independent decision-making, and performing in various situations. Education enables employees to carry out certain jobs successfully and create the necessary preconditions for successful professional development. It is mostly turned toward the future, meaning the future demands of work.

Professional adjustment of employees should be considered an integral part of the system of educating employees. As it is known, such a system incorporates activities within the area of education, a professional adjustment of employees. For example, such an approach is also a characteristic of the labor legislation of the Republic of Serbia.

Professional development of employees is characterized by the gathering of new knowledge, abilities and skills, necessary for undertaking new, more responsible and more complex jobs and positions, and for a preparation for the future, and the demands which have yet to appear. Thus, development broadens and enhances joint individual potentials and creates the preconditions for a more successful performance, not only of the existing jobs, but future jobs and tasks as well. Along with that, professional development also entails the development of the careers of the employees.

Table 3. The differences between training and improvement of the work of employees.

DIFFERENCE BETWEEN TRAINING AND THE PROFESSIONAL DEVELOPMENT OF THE EMPLOYEES		
Characteristics	Training	Development of the Employees
Focus	Current job	Current and future jobs
Extent	Individual workers	Work groups, team or organization
Time frame	Short-term	Long-term
Goal	Improvement of existing skills	Preparation for the future demands of the job

Source: (Gomez L., Balkin D., Gardy L., 2003.)

CONCLUSION

It is very important to know and understand that knowledge, the application of its contents and the way of its application (innovation), represents a significant factor of all the most important transformations, not only in entrepreneurship, but also in the business world.

Knowledge is constantly incorporated within people and accepted by people (Tacit Knowledge), and it implants itself in the organizational processes and procedures, as well as being reflected in organizational structures and cultures.

The importance and impact of knowledge on the economy and society at large can be observed through a variety of different facts: more knowledge means more democracy, knowledge increases economic and social efficiency, the level of knowledge influences the style of management, and thus the market of knowledge rapidly develops and soon it may overtake the market of goods and capital, while knowledge increases the value and applicability of modern technologies.

Considering the fact that knowledge is a function of information, culture, skills, intelligence and experience, and that those variables are intensely ever-changing, it is necessary to continuously incorporate them through the process of learning. Contemporary entrepreneurs are completely aware of the importance of new knowledge as a source of new technologies, products, as well as new services which bring and improve innovation development, and this, therefore, is a key factor of competitiveness.

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THE USAGE OF INTERNET MARKETING FOR PERFORMANCE IMPROVEMENT AND JOB CREATION OF SMEs

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Abstract

In this article the main objective was to put an emphasis on the strong influence of Internet Marketing and influence of SMEs presence on Internet as a focal point for boosting the performance of SMEs, with a focus on Serbia. This paper gives a glance on new perspectives and new formulas on how to attract customers by the web as a cheap and affordable window of opportunity for small and developing SMEs. Text focus special attention to the ways in which SMEs can use Internet marketing to promote their production or services and how to find the way to capitalize the usage of Internet for making a contact with its consumers, and improving he performances to create new jobs. It also gives a guiding line in which Serbia as a developing partner of EU should trace its path to faster improvement of usage of Internet as a mean of commercialization and customer orientation. In this paper the case of newly established SME with its approach to Marketing on Internet is given.

Keywords: *Marketing, Internet marketing, SMEs, Job creation, Employment*

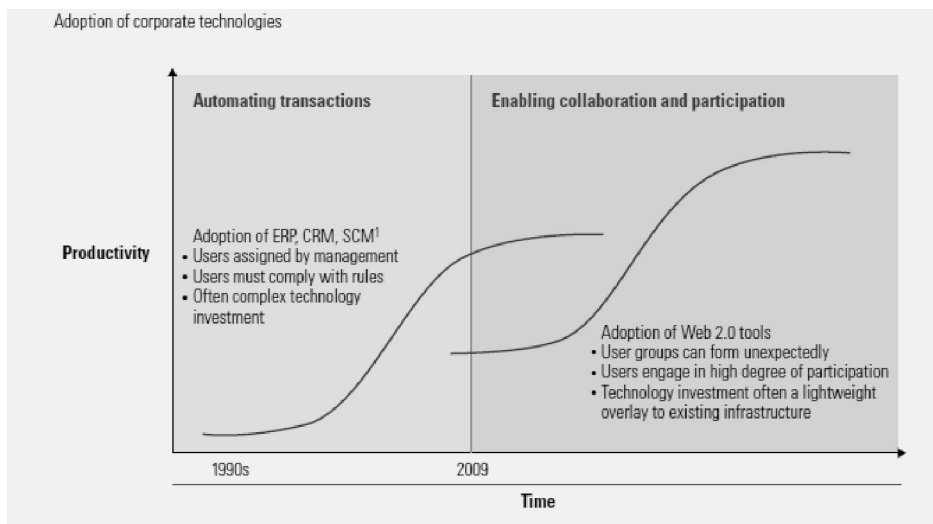
INTRODUCTION

The main problem with Small and medium sized companies in Serbia is how to make the consumer audience in the country aware of the presence of the new producer or service provider. Their goal is not to attract the international consumer base, but only to promote themselves on the local level of the community, city, and local regional level and rarely on the country level. At the moment there are several ways of the SMEs promotion on the local level:

1. Promotion in the local and national newspapers
2. Flyers as a mean of direct promotion
3. Promotional activities on internet
 - Banners
 - Newsletter
 - Blogs
 - Direct mail to the potential customers or service users
4. Local lottery organized on the web with prizes that would attract potential users or consumers to focus on the production line of the company
5. Telemarketing by call center
6. On line chat through web sites
7. Introduction of popular figures from media, theatre, sport as a featuring personality in media campaign
8. The possibility to enable Android, Iphone and BlackBerry downloads of some interesting and attractive data for your customers (songs, melodies for phones, games, puzzles)
9. Created separate – parallel site for mobile and smart phones with reduced graphics

All these ways of marketing promotion on internet give the palette of presence for the SMEs that enables to the companies to easily reach the market and to give the possibility to the customers to find what they need in short period of time with least effort possible, and with the ability to find, order and pay for the goods or services in relatively short period of time measured by several minutes.

Some historical perspective is useful. Web 2.0, the latest wave in corporate technology adoptions, could have a more far-reaching organizational impact than technologies adopted in the 1990s—such as enterprise resource planning /EPR/, customer relationship management /CRM/, and supply chain management. The latest Web tools have a strong bottom—p element and engage a broad base of workers. They also demand a mind-set different from that of earlier IT programs, which were instituted primarily by edicts from senior managers, /next Figure/.

Figure: The new tools

Source: *Business Technology*, /2009/ *The McKinsey*

LITERATURE OVERVIEW

Internet marketing has been developing from the moment of the invention of internet. The whole theory of internet marketing is based on analysis of the advertisement of any service, produce, business in the form of a web site. Online web site promotion is called internet marketing. The internet marketing is about SMEs that are taking the initiative in the attraction of consumers and at the same time the most cost effective way to reach consumers. The main difference for SMEs in internet marketing that differs it from traditional marketing tools is that through on line internet marketing tools it is possible to have immediate response and online sites can track user behavior with one - click response to their online offers (Lee, Ook 2001:3).

To promote you're good on internet it is not enough to copy the experience that you have from your traditional experience based on the articles in the newspapers and ads in the media. It is necessary to form the on line internet strategy and to build customer relationship in marketing. The example of that model is given in a following model developed by Tjostheim I. & Aanonsen K. (2006) that was adopted by the Norwegian Tourist Industry that outlines good strategy can translate to the internet marketing model.

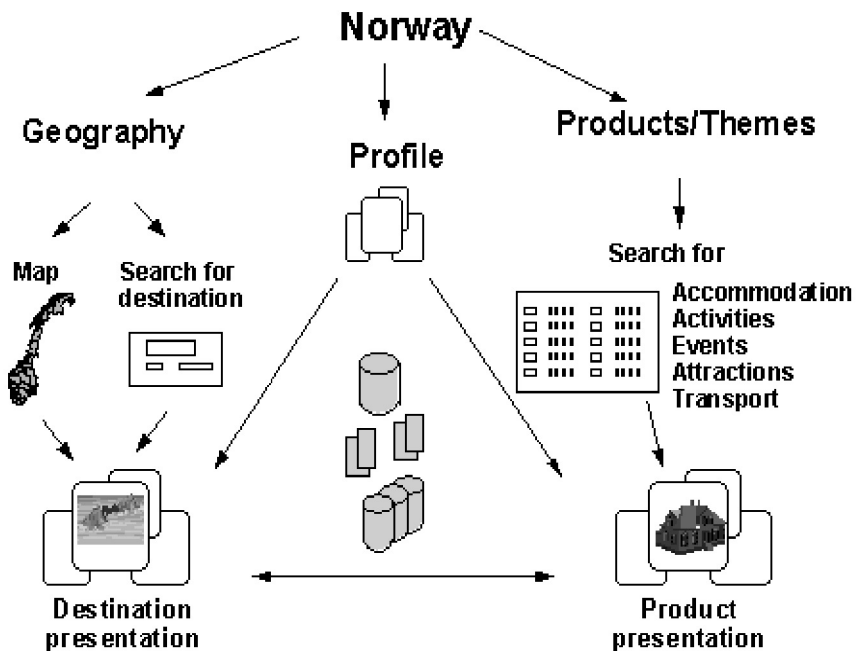
Also, the point that is frequently mentioned in the literature is that by writing articles about your products and services and allowing them to be published, free of

charge, your articles will have the potential to be viewed by millions of Internet users. They may be published by several ezines with subscriber bases of a few hundred to several thousand. In addition, they may be displayed in ezine archives or on high traffic web sites (Shelley, L. 2005).

One of the most important components of marketing strategies in SMEs is necessity to evaluate your business goals weekly, monthly, quarterly and annually. This will give you consistent information you can follow, and allow you to make any adjustments along the way that you may need to ensure success, (Radovic-Markovic, M., et. al., 2011).

There are a various methods used for setting and measuring goals. I recommend setting financial goal. Setting and measuring financial goals are important because it can reveal many aspects of your business, such as your productivity and profitability. Begin your goal setting by establishing objectives that are achievable, within a specific period of time (Knecht, C. 2003).

Figure 1: Internet marketing model (adopted from Chaffey, D., et. al., 2006)



In this text we will analyze the best ways of SMEs marketing promotion on internet and their vast possibilities and niches for improvement their market strategies by implementing simple and jet comprehensive marketing models.

THE BENEFITS OF USAGE OF WEB TECHNOLOGIES IN THE WORLD

Over the past three years, MsKinsey Instiute has tracked the rising adoption of Web 2.0 technologies, as well as the ways organizations are using them. In 2012 the Institute wanted to get a clear idea of whether companies are deriving measurable business benefits from their investments in the Web. Their findings indicate that they are. McKinsey Institute has provided an interview among nearly 1,700 executives from around the world, across a range of industries and functional areas about the value they have realized from their Web 2.0 deployments in three main areas:

- within their organizations;
- externally, in their relations with customers; and
- in their dealings with suppliers, partners, and outside experts.

Their responses suggest why Web 2.0 remains of high interest: 69 percent of respondents report that their companies have gained measurable business benefits, including more innovative products and services, more effective marketing, better access to knowledge, lower cost of doing business, and higher revenues.

Companies that made greater use of the technologies, the results show, report even greater benefits. It has been also looked closely at the factors driving these improvements—for example:

- the types of technologies companies are using,
- management practices that produce benefits, and
- any organizational and cultural characteristics that may contribute to the gains.

It was founded that successful companies not only tightly integrate Web 2.0 technologies with the work flows of their employees but also create a “networked company,” linking themselves with customers and suppliers through the use of Web 2.0 tools.

Despite the current recession, respondents overwhelmingly say that they will continue to invest in Web 2.0.

Web 2.0 technologies can be a powerful lure for an organization; their interactivity promises to bring more employees into daily contact at lower cost. When used effectively, they also may encourage participation in projects and idea sharing, thus deepening a company’s pool of knowledge. They may bring greater scope and scale to organizations as well, strengthening bonds with customers and improving communications with suppliers and outside partners.

This year's survey turned up strong evidence that these advantages are translating into measurable business gains. When we asked respondents about the business benefits their companies have gained as a result of using Web 2.0 technologies, they most often report:

- greater ability to share ideas;
- improved access to knowledge experts; and
- reduced costs of communications, travel, and operations.

Many respondents also say Web 2.0 tools have decreased the time to market for products and have had the effect of improving employee satisfaction.

Looking beyond company borders, significant benefits have stemmed from better interactions with organizations and customers. The ability to forge closer ties has increased customers' awareness and consideration of companies' products and has improved customer satisfaction.

Respondents also say they have been able to burnish their innovation skills, perhaps because their companies and customers jointly shape and create products using Web 2.0 connections.

Some respondents report that these customer interactions have resulted in measurable increases in revenues.

Respondents cite similar gains resulting from better ties to suppliers and partners.

Highest on that list of benefits is the ability to gain access to expertise outside company walls more quickly. These respondents also cite lower costs of communication with business partners and lower travel costs.

The respondents specified the percentage improvement they experienced for each reported benefit across all three benefit classes. The median level of gains derived from internal Web 2.0 use ranged from a 10 percent improvement in operational costs to a 30 percent increase in the speed at which employees are able to tap outside experts. In further table are showed the results of the McKinsey survey of Measurable gains from using Web 2.0 for given purpose.

Table: The usage of web technologies in the enterprises, 2012

Internal purposes, % of respondents,¹ n = 1,088	Median improvement, %	Customer-related purposes, % of respondents,¹ n = 956	Median improvement, %	Working with external partners/suppliers, % of respondents,¹ n = 686	Median improvement, %		
Increasing speed of access to knowledge	68	30	52	25	51	25	
Reducing communication costs	54	20	Awareness	25	49	20	
Increasing speed of access to internal experts	43	35	Consideration	19	42	30	
Decreasing travel costs	40	20	Conversion	17	40	20	
Increasing employee satisfaction	35	20	Loyalty	20	37	20	
Reducing operational costs	32	15	Increasing customer satisfaction	43	20	24	20
Reducing time to market for products/services	25	20	Reducing marketing costs	38	15	23	12
Increasing number of successful innovations for new products or services	25	20	Reducing support costs	32	15	20	20
Increasing revenue	14	15	Reducing travel costs	32	20	19	20
No measurable effects/benefits	8		Reducing time to market for products/services	24	20	16	15
			Increasing number of successful innovations for new products/services	22	20	7	
			Increasing revenue	18	10		
			No measurable effects/benefits	10			

Source: McKinsey Insitute, 2012

Regardless of industry, executives at companies that use more Web 2.0 technologies also report greater benefits.

Comparing respondents' industries, those at high-technology companies are most likely to report measurable benefits from Web 2.0 across the board, followed by those at companies offering business, legal, and professional services. Companies with revenues exceeding \$1 billion—along with business-to-business organizations—are more likely to report benefits than are smaller companies or consumer companies.

Among functions, respondents in information technology, business development, and sales and marketing are more likely to report seeing benefits at various levels than are those in finance or purchasing. IT executives, in general, are more focused on using Web tools to achieve internal improvements, while business development and sales functions often rely on the technologies to deliver better insights into markets or to interact with consumers. Web 2.0 technologies improve interactions with employees, customers, and suppliers at some companies more than at others. The findings demonstrate that success follows a “power curve distribution”—in other words, a small group of user’s accounts for the largest portion of the gains. According to the research, the 20 percent of users reporting the greatest satisfaction received 80 percent of the benefits. Drilling a bit deeper, it has been found that this 20 percent included 68 percent of the companies exporting the highest adoption rates for a range of Web 2.0 tools, 58 percent of the companies where use by employees was most widespread, and 82 percent of the respondents who claimed the highest levels of satisfaction from Web 2.0 use at their companies.

To improve the understanding of some underlying factors leading to these companies’ success, it was first created an index of Web 2.0 performance, combining the previously mentioned variables: adoption, breadth of employee use, and satisfaction. A score of 100 percent represents the highest performance level possible across the three components. Then it has been analyzed how these scores correlated with three company characteristics:

The competitive environment (using industry type as a proxy), company features (the size and location of operations), and the extent to which the company actively managed Web 2.0.

These three factors explained two-thirds of the companies’ scores. Management capabilities ranked highest at 54 percent, meaning that good management is more than half of the battle in ensuring satisfaction with Web 2.0, a high rate of adoption, and widespread use of the tools. The competitive environment explained 28 percent, size and location 17 percent. Parsing these results even further, we found that three aspects of management were particularly critical to superior performance: a lack of internal barriers to Web 2.0, a culture favoring open collaboration (a factor confirmed in the 2009 survey), and early adoption of Web 2.0 technologies. The high-tech and telecom industries had higher scores than manufacturing, while companies with sales of less than \$1 billion were more likely to have relatively high performance scores than larger companies located elsewhere. While the evidence suggests that focused management improves Web 2.0 performance, there’s still a way to go before users become as satisfied with these technologies as they are with others.

The top 20 percent of companies reached a performance score of only 35 percent (the score increased to 44 percent in the 2009 survey). When the same score methodology is applied to technologies that corporations had previously adopted, Web 2.0’s score is below the 57 percent for traditional corporate IT services, such as e-mail, and the 80 percent for mobile-communications services.

INTERNET MARKETING USAGE IN SME SALES PROMOTION AND JOB CREATION- Serbian case

The idea of web presence of an SME must be clear, well organized and the information is to be systematically displayed. Only by proper and adequate administration the client would be in a position to offer and present the complete palette of the offered goods or services on the internet, (Damnjanovic, A., *et. al.*, 2011). Navigation must be directed in that manner so that the potential buyer would be in a position to easily find what he need in not more than three clicks. Innovation and social components are necessary and important part of the Homepage, especially in the environment of Serbia where you can not get the attention of the masses that use internet unless you introduce the possibility to exchange the ideas through usual Facebook, Twitter or more rarely LinkedIn features incorporated in the Homepage.

Figure 2: Internet Marketing and Job Creation



- Special case in Serbia since the broad band presence is not wide spread is to use lower weight of graphics, restrain from hefty animations.
- Avoid long lines, cumbersome, and sophisticated texts that would confuse the average internet user.
- Use Serbian language
- For the time being avoided local Cyrillic alphabet because not so many users would be able to follow it on line and use standard Latin alphabet
- Make available all interesting data to be downloadable from the site.
- Be aware not to use more than 15 lines of text on one page
- Test your applications, home page etc, if it is working on all available platforms so to avoided that they ca be used on only one web browser
- Smaller number of matched colors creates more adequate sense of professionalism, than large number of colors. Complex backgrounds with sophisticated heavy pictures require longer period for opening.
- Navigation represents the most important part of a Home Page.

- Do not save money on the creation of the home page. Make an innovative approach, grab the attention of the user in first 5 seconds and guide him to the part he is interested in in 3 clicks most.
- You must develop the philosophy of your company, no matter how small it is, or how small budget you have it is a must to make and keep the focus on the brand design of the company
- Always keep in mind to offer to the visitor the ability to contact you by e-mail, on line chat or to fill in the form for reply on the site
- Always keep a site map available for people who would like easily to find what they search for to be able to find it in short time
- Always keep in mind that internet user who is interested in your product or service might be doing so from the tablet, smart phone or some similar portable device so to enable the browser and the supporting software to display correctly the media on all devices known. So it must be possible to browse your contents on small displays as of couple of inches to big screens on various kind of devices and displays
- The web site must be oriented in such manner to enable the client with lowest end hardware to see and browse through the web site.
- Having in mind internet marketing rules the best way for the company to present its ideas put the most important data on the upper left corner of the screen because this part of the screen is “eye catcher”. Also one has to have in mind that the lower right corner is almost invisible to the client. So most important information should be placed in the upper part of the screen.
- Always have in mind during the creation of the presentation that would be displayed on the internet, not to use the other pages or sources within your frame or home page, since it might be infringement of the intellectual property rights. When other sources must be mentioned it is better that the link can take the observer to the new window with the information, opening new browser widow.

How to create a good web based on internet marketing that everybody would love to visit. In the Serbian case model that we are examining, the main obstacle in creating the site is the obstacle created by the owner of the company. In many instances we were witnesses that the owner does not respect any of rules that are present in web site creation and that they would like to set their own set of rules that usually is either outdated or inapplicable, (*Damnjanovic, A., et. al., 2008*). It is wide spread known that the main obstacle to creation of a good web site with adequate hierarchy is an owner who thinks that “he knows the best”. So many of present web sites in Serbia are based on “wishful thinking” and “unfounded guesses” made by the owners of the companies. The best way to prove what is good and what is not working is to arrange that professional team makes the web site and that the web site scenario is done by some experts and that the visual identity is done by a competition on the web or by ordering logo, trademark or similar visual identity tokens from a known company, or at least from a company

with a proven record of successful projects. At the end of the first month of the web site presence it is good to find out where we stand and what is the mark that the audience or our customers have given to us.

This can be done by gathering the following data:

- Number of visits per hour per web page
- Number of Page Views pages per hour
- Nuber of hits
- Browsers used
- Results of Home Page hits as a result of links from Google, or similar web search machines
- Key words that were used and that resulted in links oriented to our home page
- Sub page after which the visitor left the web site.

When an SME is judging the collected data on their success compared by the pages visited and length of stay on the web site you can not rely only on the web statistics, (*Grozdanic, R., et. al., 1998*). Relevant analysis must be made based on the interpretation, such as if you customers are approaching over the web search engines.

Table 1: Internet usage in Europe

EUROPE	Population (2012 Est.)	Internet Users (30-June-12)	Penetration (% Population)	Users in Europe (%)
Albania	3,002,859	1,471,400	49.0 %	0.3 %
Andorra	85,082	68,916	81.0 %	0.0 %
Austria	8,219,743	6,559,355	79.8 %	1.3 %
Belarus	9,643,566	4,436,800	46.0 %	0.9 %
Belgium	10,438,353	8,489,901	81.3 %	1.6 %
Bosnia&Herzegovina	3,879,296	2,327,578	60.0 %	0.4 %
Bulgaria	7,037,935	3,589,347	51.0 %	0.7 %
Croatia	4,480,043	3,167,838	70.7 %	0.6 %
Cyprus	1,138,071	656,439	57.7%	0.1 %
Czech Republic	10,177,300	7,426,376	73.0 %	1.4 %
Denmark	5,543,453	4,989,108	90.0 %	1.0 %
Estonia	1,274,709	993,785	78.0 %	0.2 %
Faroe Islands	49,483	39,948	80.7 %	0.0 %
Finland	5,262,930	4,703,480	89.4 %	0.9 %
France	65,630,692	52,228,905	79.6 %	10.1 %
Germany	81,305,856	67,483,860	83.0 %	13.0 %
Gibraltar	29,034	20,660	71.2 %	0.0 %
Greece	10,767,827	5,706,948	53.0 %	1.1 %

Hungary	9,958,453	6,516,627	65.4 %	1.3 %
Iceland	313,183	304,129	97.1 %	0.1 %
Ireland	4,722,028	3,627,462	76.8 %	0.7 %
Italy	61,261,254	35,800,000	58.4 %	6.9 %
Jersey	94,949	45,800	48.2 %	0.0 %
Kosovo	1,836,529	377,000	20.5 %	0.1 %
Latvia	2,191,580	1,570,925	71.7 %	0.3 %
Liechtenstein	36,713	31,206	85.0 %	0.0 %
Lithuania	3,525,761	2,293,508	65.1 %	0.4 %
Luxembourg	509,074	462,697	90.9 %	0.1 %
Macedonia	2,082,370	1,180,704	56.7 %	0.2 %
Malta	409,836	282,648	69.0 %	0.1 %
Man, Isle of	85,421	39,460	46.2 %	0.0 %
Moldova	3,656,843	1,639,463	44.8 %	0.3 %
Monaco	30,510	30,700	100.6 %	0.0 %
Montenegro	657,394	328,375	50.0 %	0.1 %
Netherlands	16,730,632	15,549,787	92.9 %	3.0 %
Norway	4,707,270	4,560,572	96.9 %	0.9 %
Poland	38,415,284	24,940,902	64.9 %	4.8 %
Portugal	10,781,459	5,950,449	55.2 %	1.1 %
Romania	21,848,504	9,642,383	44.1 %	1.9 %
Russia	142,517,670	67,982,547	47.7 %	13.1 %
San Marino	32,140	17,000	52.9 %	0.0 %
Serbia	7,276,604	4,107,000	56.4 %	0.8 %
Slovakia	5,4483,088	4,337,868	79.1 %	0.8 %
Slovenia	1,996,617	1,440,066	72.1 %	0.3 %
Spain	47,042,984	31,606,233	67.2 %	6.1 %
Sweden	9,103,788	8,441,718	92.7 %	1.6 %
Switzerland	7,925,517	6,509,247	82.1 %	1.3 %
Turkey	79,749,461	36,455,000	45.7 %	7.0 %
Ukraine	44,854,065	15,300,000	34.1 %	3.0 %
United Kingdom	63,047,162	52,731,209	83.6 %	10.2 %
Vatican City State	535	480	89.7 %	0.0 %
TOTAL EUROPE	820,918,446	518,512,109	63.2 %	100.0 %

Source: Miniwatts Marketing Group, 2012

Table 2: World Internet usage and Population Statistics, 2012

World Regions	Population (2012 Est.)	Internet Users (Dec. 31, 2000)	Internet Users (Latest Data)	Penetration (% Population)	Growth (2000-2012.)	Users of Table (%)
Africa	1,073,380,925	4,514,400	167,335,676	15.6 %	3,606.7 %	7.0 %
Asia	3,922,066,987	114,304,000	1,076,681,059	27.5 %	841.9 %	44.8 %
Europe	820,918,446	105,096,093	518,512,109	63.2 %	393.4 %	21.5 %
Middle East	223,608,203	3,284,800	90,000,455	40.2 %	2,639.9 %	3.7 %
North America	348,280,154	108,096,800	273,785,413	78.6 %	153.3 %	11.4 %
Latin America / Caribbean	593,688,638	18,068,919	254,915,745	42.9 %	1,310.8 %	10.6 %
Oceania / Australia	35,903,569	7,620,480	24,287,919	67.6 %	218.7 %	1.0 %
WORLD TOTAL	7,017,846,922	360,985,492	2,405,518,376	34.3 %	566.4 %	100.0 %

Source: Miniwatts Marketing Group, 2012

Possibilities of influence of internet marketing on jobs creation. Serbia is still underdeveloped country in sense of spread of usage of internet, (*Grozdanic, R., et. al., 2008*). To be able to influence customers by internet marketing and specific approach that is given by product presentation on internet it is necessary that internet is wide spread. In the report given by IDC for Serbia (Tanjug, 2010) the IT market would develop in the pace of 7% per year to approach 1,36 billion US dollars till the end of 2014. In the same report the approximate value of the market in Serbia would reach 160 million US dollars. In Serbia 47,5% of the household in 2012, has internet connection and therefore they are the focus of internet marketing (PBC-Republic Statistic Institute, 2012). The internet connections are mostly present in Belgrade and they are covering 60,5% of the households, and jet in Vojvodina province it is 49,3%, whether in Central Serbia it is 40,6%.

For calculating the effects of possible investments in Internet marketing it is important to say that Internet is used mostly by households with relatively higher income that is 600 euro and they cover 86,3% of the total households, while the participation of lower income households is 29,8%. The total number of internet subscribers in Serbia, and therefore the potential market for SMEs products and services was 1.2 million. But if we consider the possibility to access internet by 3G mobile networks by usage of mobile phones. The total number of potential market for internet services in Serbia reached approximately 3.8 millions that is 59% higher number than in 2010 (Ratel - 2012).

Table 3: Number of potential internet users/subscribers in '000

Year	Number of potential internet users/subscribers
2007	1.269
2008	1.630
2009	1.706
2010	2.408
2011	3.828

Source: RATEL

It is also important to point out that in Serbia only 55% of the population has used computer in last three months, while 2% of the population has used computer in previous period to three months, and 4.1% has not used computer for more than one year. What is worrying is that 38.9% of the total population has never used the computer in their lives. If we compare this data to the fact that in 2012, only 48,4% of population has used internet in last three months, while 48,4% have never used internet in their lives. In total figures 2.7 million persons have used internet in last three months. In order to find out the market niche it is important to focus on the data that was searched for on internet by the population in Serbia and the share is given in the following table:

Table 4: Types of private internet usage in last VI - VIII 2012

Search for information on products and services	72.5 %
Sending / receiving of E-mails	71.6 %
Reading of download of on-line newspapers or magazines	68,2 %
Participation in social networks / Facebook, Twitter, Blogs	66.2
Playing or downloading the games, pictures, films or music	60.7 %
Listening to the radio or watching TV over Web	50,0 %
Talking over internet / video calls	48.6 %
Sharing private data over internet	31.3 %
Usage of services connected to travel and accommodation	31.2 %
Playing games over internet	28.5 %
Sale of good or services over internet	14.4 %
Internet banking	9.3 %
Creating web sites or blogs	6.5 %

Source: RATEL

Of course it is important to look how many companies in Serbia have internet and the possibility to advertise and use internet marketing. According to the latest figures issued by the Statistical Office of Serbia 97,7 % of companies have internet access. If we have in focus how many companies have their own web site it is in 2012 already 73.8% of companies compared to 68,9% in 2008.

As most of the companies are situated in Belgrade, which is on the back bone of internet and 85.9% of companies have their own web site, compared to the central Serbia where only 59% have their own web site. Having in mind the usage of internet marketing and sales over internet it necessary to point out that 40.1% companies that uses internet have ordered services or goods over internet in 2011, However, only 20,7% of companies that uses internet have received the orders over internet, (*Veljovic, A., et. al., 2009*).

CONCLUSION

In this paper the influence of Internet marketing on developing capacities to promote products and services is analyzed. It has been determined that adequate usage of internet marketing strategy and segments would be a good base for sales of products and services. It has also been stated that good approach and targeting of the end users segments would give the solid grounds for determining of the ways to sell goods over internet.

The segment of market dedicated to Serbian Case gave the opportunity to see that Serbia is still in process of development of the market based on Internet. The basic conclusion is that usage of adequate form and quantity of marketing over internet can boost the sales, make the contact with customers easier and allow that goods and services are presented and sold in an easy and convenient manner.

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THE ICT CLUSTERS AND EMPLOYMENT- SERBIAN CASE

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Abstract

The main objective of this Paper was to bring some light to the effect of ICT sector on employment (labor flows). New technologies accelerate labor flows of intermediate professionals, manual workers and employees. In order to provide a closer connection to the enterprise structure of ICT sector, which consists mostly of micro and small companies, with opportunities through networking in clustering, a deeper theoretical background on cluster theory is given, than on organizational changes, as well as resource theory concerning ICT, as technological change. The paper provides new insights into the mechanisms of "ICT clusters" formation. The basic assumption is that clusters can be explained as the result of a locational norm, i.e. as a convergence in locational choices resulting from both mimetic behaviours and sequential and cumulative interactions, which can better create new job opportunities of member companies with their cumulative effects. In the Paper the Serbian case with its ICT sector employment is described.

Keywords: *ICT clusters, Network externalities, Industrial cluster theory, Employment*

INTRODUCTION

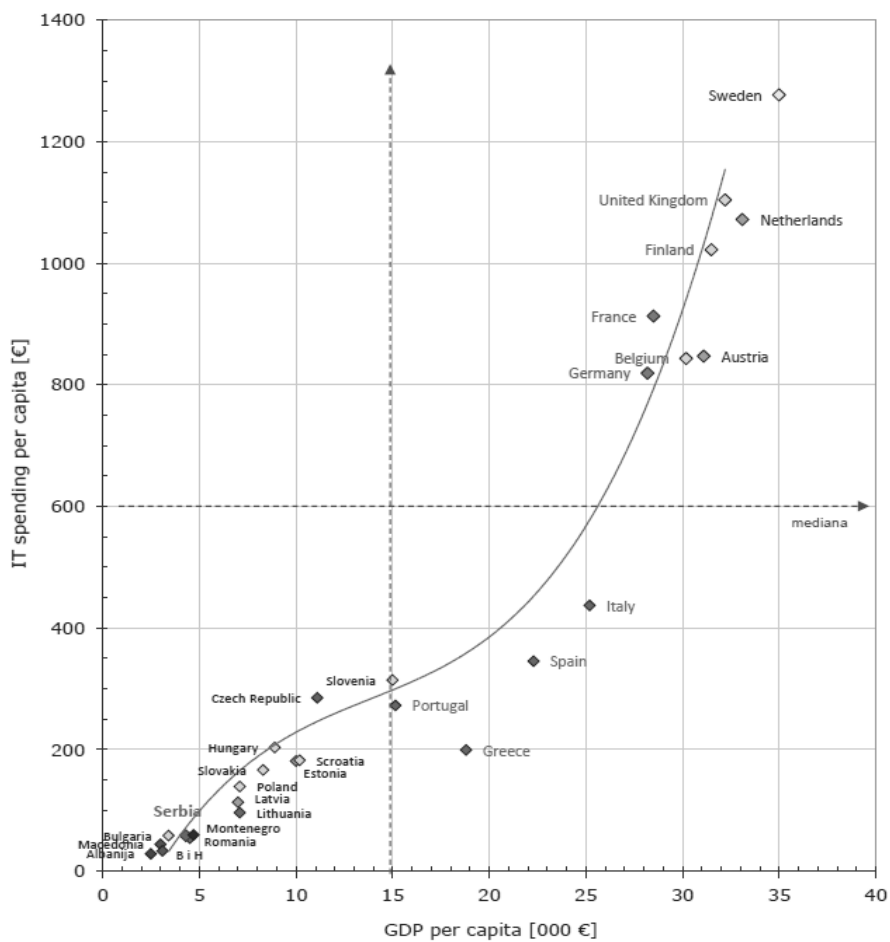
Information and Communication Technologies (ICT) undoubtedly constitute one of the key innovations of the last century. ICT are composed of a wide range of products and service technologies including computer hardware, software and services and a host of telecommunication functions. ICT strongly influenced the fields of socio-economic development, international development and human rights. The basic hypothesis behind the approach is that more and better information and communication furthers development of a society (whether to improve income, education, health, security, employment or any other aspect of human development).

Investments in IT and related employment are always important, especially in the crisis. Since information technologies are in the base of every optimization, the crisis is the right time for strategic investments. The main reasons are: IT infrastructure is the important condition for economy, society and Government development, for taking part in global economy, IT industry requires significantly smaller resources than other industries, IT industry is significantly cheaper but more profitable than other industries and ICT industry development prevents the “brain drain”.

According to the Eurostat data, North and west European countries have strong economy and high IT investments (all significantly above average) in visible correlation. Mediterranean countries characterize strong economy but low IT investments. Provocative, pejorative acronym PIGS for these countries (Portugal, Italy, Greece and Spain) indicate that they belong to the “second league”. All the countries from EU 10 (10 new members, which joined the EU in 2004) are lagging behind: they are in the quadrant of weak economy and low IT investments.

There is a few decades long technological gap between Serbia and its Northwestern neighbors. Serbia’s positioned in the root of the coordinate system together with Albania, FYROM, Montenegro, Bosnia and Herzegovina, Romania and Bulgaria. According to the key observations above and treating the IT investments as the early indicator of economic and social trends, the following hypothesis can be formulated:” If the IT investments in Serbia do not double in the following 5-year period, Serbian economy and society will descend to even deeper crisis. In order to “catch up with the EU train”, it is necessary to triple IT investments in Serbia in the period 2011- 2015.”The diagram of IT investment according to economic strength (presented by GDP), best illustrates the economic competitiveness as well as the society organization and its transparency.

Figure. IT Investment according to Economic Strength (GDP)



Source: Eurostat, Mineco 2010

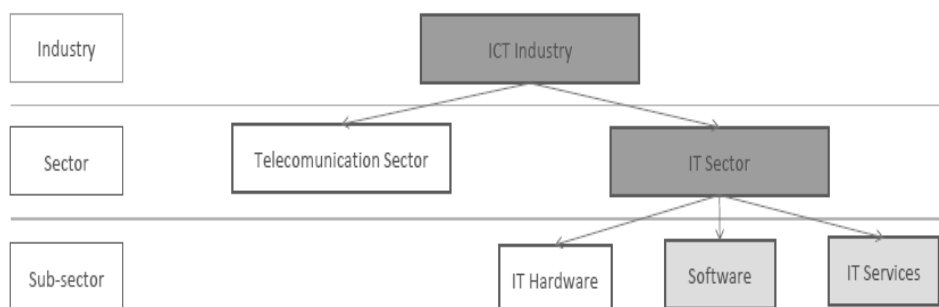
LITERATURE OVERVIEW

Definitions

Various studies define the ICT sector differently. OECD defines ICT sector as a combination of manufacturing and service industries, whose products capture, transmit or display data and information electronically. In addition, “The production (goods and services) of a candidate industry must primarily be intended to fulfill or enable the function of information processing and communication by electronic means, including transmission and display” (OECD, 2007). This includes also production of electronic components.

The traditional and simple definition of the ICT sector will be applied in this Paper. According to this definition, the ICT sector comprises two sub-sectors: telecommunications and information technologies (IT). Furthermore, the IT sub-sector comprises three segments, which are hardware, software and services. The main reasons for choosing this definition are: whether a clear and simple review of the particular sub-sectors (IT and telecommunications) which still have not significantly converged in Serbia is possible, and finally, since it is the focus of this study, to enable presentation of IT sub-sectors (Hardware, IT Services, Software) characteristics. The chart below gives an overview of the segmentation described.

Figure 1: ICT Sector Definition



The incremental organization can be economically interpreted as measuring continuity in the process of introduction of technological and organizational changes. Ichniowski, Shaw, and Prennushi (1997) argue that the firms realize the largest gains in productivity by adopting clusters of complementary practices (“multiplicative clusters”). It seems, thus, relevant to analyze the effect these sets of complementary practices have on the labor flows. There can be defined five sets of variables capturing practices having a similar objective and being highly inter-correlated:

1. *TECHNOLOGY*: Cluster including the technological variables COMPUTER and NET. The presence of one of these practices is sufficient to guarantee the non-nullity of TECHNOLOGY.
2. *CHAIN*: Dummy variable taking the phase when the establishment still uses systems of *tayloristic* production systems (robots, computer assisted systems, etc.).
3. *TEAMWORK*: Set of organizational variables including all practices tending towards the delegation of responsibilities and the promotion of working teams. The positivity of TEAMWORK is guaranteed by the presence of any of the following practices: AUTONOMOUS, PROJECT or HIERARCHY. The upturn in job instability of all workers (TOTAL) seems to be explained, rather than by the simple introduction of new technologies, by the combination of the progressive reduction in the use of *tayloristic* production system and progressive increase in the use of flexible job assignment practices. The workplace organizational practices favoring the delegation of responsibilities to lower hierarchical levels as well as the presence of working teams (TEAMWORK) are at the origin of the increased turnover observed for the managers. In contrast, quality control procedures continue to have a stabilization effect on their turnover. TEAMWORK plays very important role, as a set of organizational variables including all practices tending towards the delegation of responsibilities and the promotion of working teams.
4. *FLEXIBILITY*: Cluster covering all organizational practices stimulating a flexible job assignment (ROTATION and JUST TIME). ICT FLEXIBILITY is also very important in supporting new employment, as the cluster combines technological and organizational variables. It tries to capture for the fact that the massive use of new technologies (COMPUTER) together with the introduction of flexible job assignment practices (ROTATION), normally act in the same sense over labor flows. The increase in job instability could be explained by both, reduction in the chain production systems and the introduction of ICT and flexible assignment job practices. The complementary effect of technological and organizational changes over the labor flows is, thus, well captured by the ICT FLEXIBILITY. When considering incremental organization, job stability of intermediate professionals is uniquely affected by the massive use of computers and not by any other technological or organizational practices, or a combination of them. Concerning employees, the disappearance of the *tayloristic* production systems together with the combination of technological and flexible organizational practices (ICT FLEXIBILITY), is at the origin of the increased labor turnover.
5. *QUALITY*: Dummy variable taking the phase when the establishment develops a total quality control procedure.

Porter's Industrial Cluster Theory (ICT) is a theoretical framework that achieved prominence in Serbian economic policy development. As part of his book *The Competitive Advantage of Nations*, Porter developed the notion that innovative industrial clusters are integral to export earnings and the generation of national competitive advantage.

Porter's ICT argues that a nation's industry will be internationally competitive if a synergistic interrelationship exists between four important variables collectively known as the Diamond Factor Model: 'Factor Conditions'; 'Local Demand Conditions'; 'Related and Supporting Industries'; 'Firm Strategy, Structure and Rivalry'; and the two influencing roles of 'Chance Events' and 'Government'. (Porter, M. 1990) for a discussion of the Diamond Factor Model, and Since the adoption of Porter's Diamond Factor Model (DFM) as a basis for policy development, however, there has been considerable debate concerning its effectiveness, and indeed its appropriateness as a policy framework for many countries (Boddy, 2000; Gordon & McCann, 2000; Lyons, 1995; Wejland, 1999; Yla-Anttila, 1994).

Serbia and Western Balkan countries remain significantly below the OECD average in terms of its industrial clusters' economic contributions to real wealth creation (Brown, 2000; OECD, 1998; Porter, 2002, cited in James, 2002).

Figure 2: Porter's (1990) Diamond Factor Model

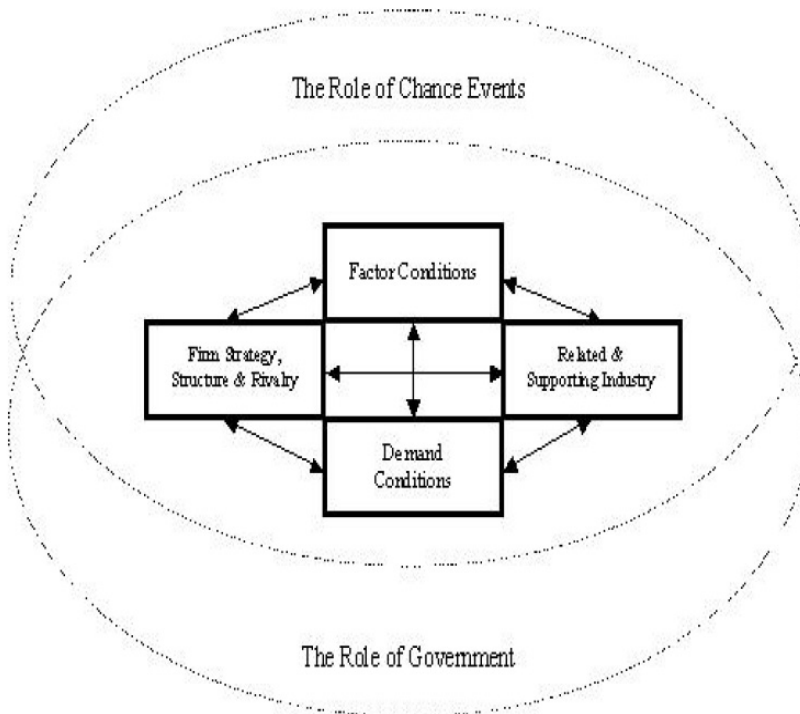


Figure 3: *Organisational structure of ICT clusters*

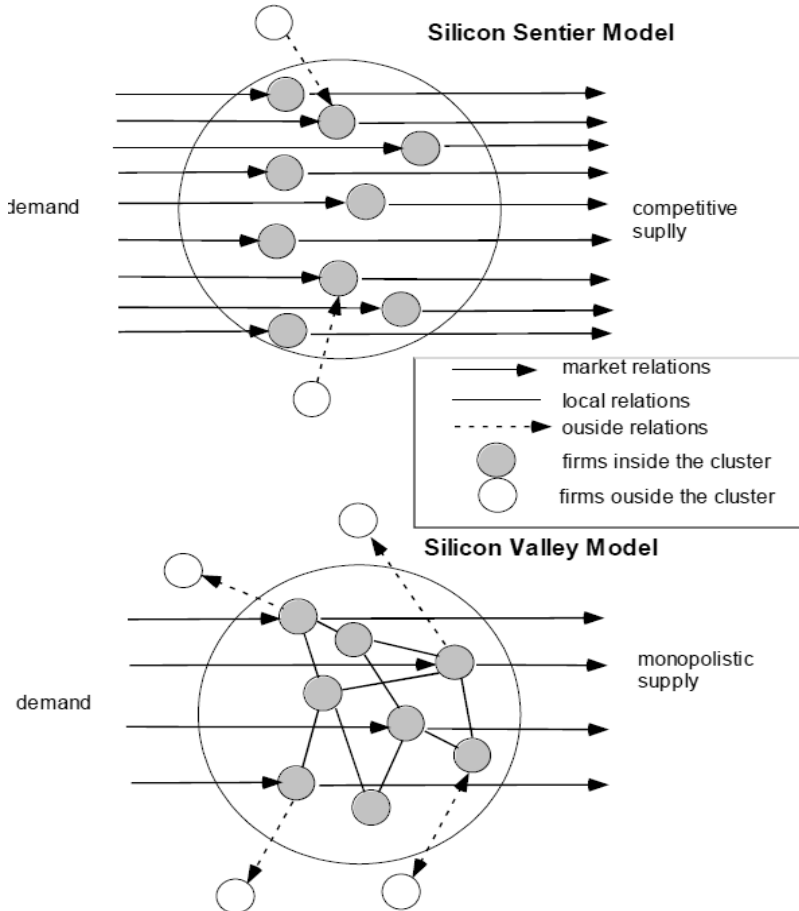
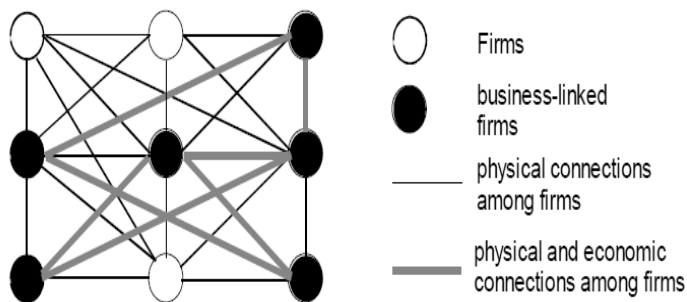


Figure 4: *The connectivity among firms in clusters (from Capello and Nijkamp, 1996)*



In many of the failed or under-performing IC developments, researchers noted that the associated government policy ignored the local and inter-regional industrial linkages and/or the channels of technology and knowledge transfer that existed, instead relying on relatively simple measures (such as 'industry size') to detect potential industry clusters. These simplistic measures are a common feature of high developed countries industrial cluster policy, and formed the basis upon which expensive and complex resource allocations were made (Gordon & McCann, 2000).

According to Porter [1990], "a cluster consists of industries linked by vertical (buyer/supplier) or horizontal (common customers, technology, channels) relationships." Key features include local linkages and formal and informal interactions to share ideas and knowledge. Observing successes, many governmental organizations hope to facilitate cluster formation in their regions.

Johnston [2003] lists circumstances that should contribute to cluster formation, including (1) easy exchange of knowledge, information and ideas between firms – especially tacit and informal knowledge, (2) access to generic qualified labour, (3) access to markets, (4) access to new ideas, (5) access to specialised services or facilities and (6) access to highly skilled and specialised staff. However, even when these conditions exist, only occasionally do they give rise to the kind of self-sustaining structure that grows to dominate a market.

Yet, when cluster members do interact effectively, the result is a powerhouse for concurrent innovation, development and marketing that can contribute significantly to the total export success of their host nations. To date most studies have involved retrospective analyses of successful clusters to identify historical circumstances and environmental factors that may have contributed to the growth and maintenance of particular clusters [e.g., Dahl et al., 2005, Pajala 2001, Pedersen, 2005]. Pederson suggests that local universities can play a profound role. Our approach to cluster formation begins with practical experience facilitating the coalescence and emergence of self-sustaining communities for knowledge sharing and innovation in distributed engineering, technical and scientific organizations. A cluster strategy serves more often as a means of allocating scarce resources than as a way to build the linkages and future inter-industry synergies documented so frequently in successful industrial districts (Feser & Bergman, 2000). For example, in Europe, the US and Australia, many 'planned' clusters have failed to materialise despite heavy investments by government into 'the required infrastructure'.

The implication is that although setting up the infrastructure may be paramount to the diffusion of industrial clusters, it is not sufficient in of itself to ensure a cluster's formation and development.

One of the most prevalent concerns surrounding the reporting of longitudinal industrial cluster research concerns the evolutionary nature of the industrial life cycle. Peters and Hood (2000) discuss how the industrial life cycle notion can influence the effectiveness of a government's industrial cluster policy platform. A growing literature base suggests that 'who innovates' and 'how much' innovative activity is undertaken by an industry cluster is closely linked to the phase of the industry life cycle, and is of vital importance to effective policy implementation (Klepper, 1996; Leigh, 2003). It is therefore necessary for this research to report on the longitudinal variation in government policy development, and link them to the needs of the TLSI cluster over its life cycle.

THE SERBIAN CASE

An overview of IT sector

ICT is one of the most vibrant and fastest growing sectors in Serbia, with a two-digit annual growth rate in the years prior to the crisis (37% in 2007, 19% in 2008 and 22.2% in 2009). In 2010 steady growth continued and Serbian ICT companies are pushing hard to gain new business opportunities especially in the field of outsourcing. Results from 2010 show that market value of €405 million, which equals a year-to-year drop of 5%. After two years of decrease, in 2011, Serbian IT sector shows all signs of stagnation.

Serbia is becoming one of Europe's most attractive IT hot spots. Over the past few years, the development and promotion of IT services (such as mobile internet technologies and applications development, outsourcing and data transfers) has increased significantly (Veljović, A., et.al, 2009). The number of economic entities using and dealing with IT in Serbia is also growing. On the global market, IT companies from Serbia are mainly engaged in the outsourcing of software development, testing software and designing websites, but also providing solutions in embedded industry. The main markets for outsourced industry are Germany, USA, Great Britain and Netherlands. There is a recognized trend among outsourcing companies from Serbia to try and make their own products that have high export value on foreign markets.

Engineering education in Serbia is particularly strong, with app. 33% of all university graduates coming from technical schools. The industry employs highly skilled workforce, out of which 86% completed a university level of education. Serbian engineers are competent in a broad range of technologies that support an effective development of first-class software and systems integration. These professionals have extensive expertise in developing frontend, back-end and middle-ware components, but are also very proficient in understanding client requirements and creating tailored software and systems solutions.

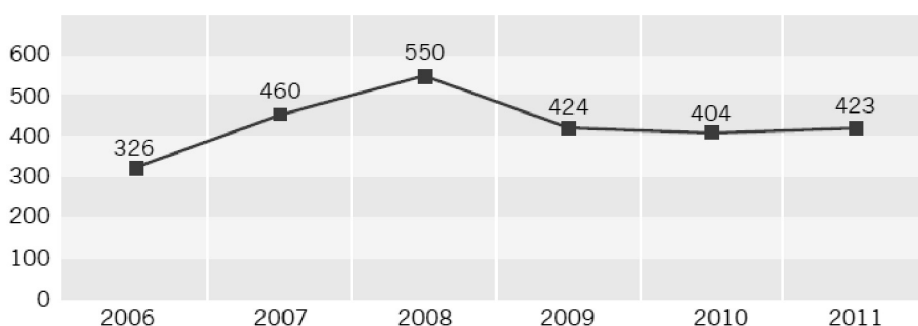
As the world market for ICT continues to evolve and outsourced software engineering, offshore systems design and integration continue to grow, Serbia is well placed both geographically and structurally to provide a cost effective and reliable alternative to other, already established markets. An outstanding pool of intellectual capital, attractive labor costs, excellent worker skills, a good communications network and a high fluency in English are just some of the key competitive advantages that should persuade international companies to expand their businesses to Serbia.

There are many leading global ICT firms that have already made a decision to set up their businesses in Serbia: Cisco Systems, Motorola, Ericsson, Oracle,

Google, Redhat, Hewlett Packard, SAP, IBM, Siemens, Intel, Telenor, and Microsoft. *IT Market in 2011*. According to the Mineco, There were around 1,600 Serbian IT companies with more than 14,000 full time employees. The average number of full time employees per company was 9. IT market value had growth of 5% from €404 million in 2010. To €423 million in 2011. Export of IT services was around \$200 million.

A large number of Serbian ICT companies offer very strong technical skills that have attracted partnerships with international firms and won them a place in high value market niches.

Figure 5 Growth of the Serbian IT Market (mill. EUR)



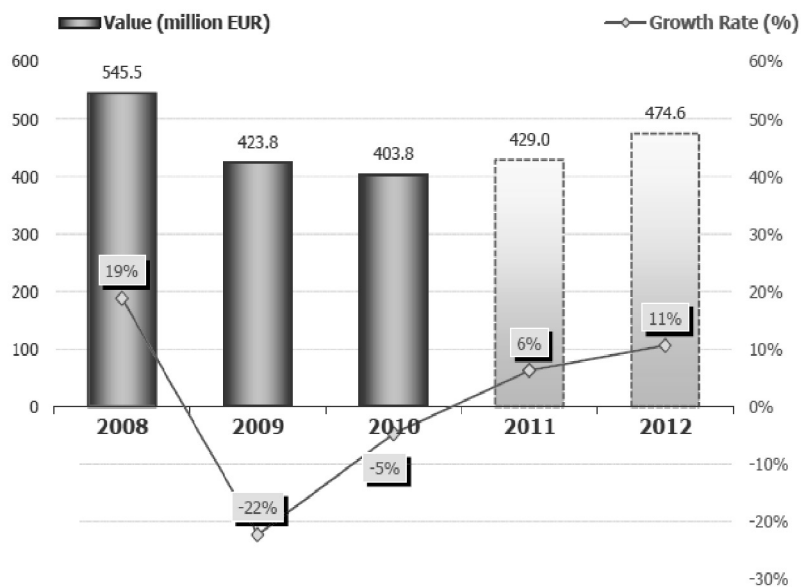
Source. Mineco

Market value growth of 34% 2005-2011 (37% in 2007).

Table 1: Serbian IT Market Value in 2010 and trends to 2012 in mill.Euro

IT MARKET	2010	2011	2012
IT SERVICES-TOTAL	99,4	107,6	120,5
IT services	99,4	107,6	120,5
SOFTWARE-TOTAL	48,7	51,6	58,8
System software	22,3	24,1	27,0
Application Software	26,4	27,5	31,8
IT HARDWARE-TOTAL	255,7	272,3	300,0
Server and Storage Systems	27,4	30,9	33,2
Personal Computers	156,7	164,4	178,9
Peripherals	41,4	44,7	52,0
Networking equipment	30,2	32,3	36,0
TOTAL	403,8	431,5	479,4

Source, Mineco 2011

Figure 6: Serbian IT Market and Growth Rates for 2008-2012. (%)

Source. Mineco 2011

Table 2: Structure of IT Services Export in Number of Employees

Structure of IT Services Export	in Number of Companies	in Number of Employees
Computer services	114	2143
System integration	22	1020
Embedded	66	369
Programming	260	1847
Overall	462	5379

Source: Serbian Chamber of Commerce

CLUSTERS AND TECHNOLOGY PARKS

Technology clusters in some countries and regions have achieved phenomenal successes exporting into worldwide markets, e.g., Silicon Valley for information technology [Kenny & von Berg, 1999], Finland for mobile telecommunication [Paija, 2001], and North Jutland in Denmark for wireless communication [Dahl et al., 2005, Pedersen, 2005]. These clusters seem to represent a form of concurrent enterprising that may arise autonomously. Many governments seek to facilitate emergence of clusters in their regions, but experience shows clusters do not form easily [Martin & Sunley 2003; Johnston 2003].

Serbian ICT companies have a low degree of specialization since the majority of them are trying to be involved in a widespread set of business activities (Grozdanic, R., 2003). This kind of business strategy limits networking and cooperation opportunities since the majority of companies are competing over the same market opportunities. However, in recent years, networking of companies increased, mostly related to the creation of consortia for tendering on public procurements and EU/internationally funded projects.

In recent years, Serbian IT companies have managed to create a strong presence on foreign markets through marketing of their own solutions, but also by being able to provide the highest-level quality outsourcing services and collaborating with IT companies worldwide. Thus, Serbia has emerged as a very interesting alternative location for development of sophisticated software. The field research has confirmed that ICT companies from Novi Sad have much stronger networking and cooperation potential compared to the ones from Belgrade. Their relations with the University and Provincial Government are more substantial and dynamic than in Belgrade. Because of this cooperation, private and public actors (including the University) from Novi Sad have launched an initiative to set-up the ***Vojvodina ICT Cluster***. The Vojvodina ICT Cluster is a bottom-up initiative of 25 ICT companies from the Vojvodina, the Faculty of Technical Sciences in Novi Sad, the development agency Alma Mons – Novi Sad, VIP (Vojvodina Investment Promotion Agency) and the Centre for Competitiveness and Cluster Development. The Cluster, formally registered in May 2010, saw its presentation to public in October 2010. The Cluster has strategic goals focused on better networking, joint advocacy and marketing, applying for EU/international grants and joint tendering. VOICT members employ about 1,500 people and they reached annual turnover of 26 million Euros in 2009. In spite of the crisis, the cluster members realized annual growth of 23.4% (in 2008) and 30.61% (in 2009). Although still in the phase of being established, Vojvodina ICT cluster will be one of the key players in the ICT field in Serbia, especially bearing in mind the number of ICT companies located in Novi Sad and the importance of the Faculty of Technical Sciences in Novi Sad.

The ICT Net Cluster, established in 2011 by merger of two cluster initiatives, is located in Belgrade: The Serbian Software Cluster (SSC) was established in 2006 as a business association of 16 members (13 companies and 3 faculties) from Belgrade and

Novi Sad. Main goal of the Cluster was provision of various kinds of services to the software industry nationwide, although their activities are mostly Belgrade-based. SSC has been recognized as an important partner in IT/software industry development by all key stakeholders in Serbia - from national line ministries through international development organizations to the Chamber of Commerce, business associations and private companies. The cluster has served a good role of communication between Government ministries and members of the clusters that include the most important software companies in Serbia. However, the cluster has failed to increase their membership with all remaining software companies, research centers and universities that are active in their field of mission, 10 companies are gathered in the embedded sector, two universities and one research institute. Similar to the case of SSC, Embedded.rs became, in a short period, a good channel of communication between national line ministries and key private actors in the field of the embedded industry.

Table 3: *Some data on ICT clusters*

	ICT Net Cluster	Vojvodina ICT Cluster
Number of members	23	34
Number of employed in all member companies	1.820	1.500
Total revenue of all members, 2010	44 mill Euro	87 mil euro
Total export + Facts ICT Cluster, export 11,5 mill.Euro	20 mil Euro	52 mil Euro
Members with Internet presentation	100%	100%

Source: National Statistical Office

In September 2005, Microsoft established its Development Centre in Belgrade. It started as a small operation focused exclusively on projects related to Tablet PC technology under the name Tablet PC Development Extension. Recently the Centre has intensified efforts on Tablet PC projects as well as taken on new projects unrelated to Tablet PC. In order to reflect the broader scope of projects and the growth of the staff, the name has changed to Microsoft Development Centre Serbia (MDCS) the main MDCS projects are: Language Handwriting Recogniser "Factory", Handwriting Recognisers for Special 2D Domains, Windows Live Components; SQL Server Spatial Libraries.

There are numerous ongoing initiatives for establishing scientific-technology parks in Belgrade, Novi Sad, Nis and Kragujevac. There is also a technology park in Vrsac. Those scientific-technology parks are designed to encourage publicprivate synergies between universities and the business sector, often supported by local self-government and line ministries. Beside, they are also established with the aim of creating a good base for innovations in the field of advanced technologies, including IT (Vucić, M., et.el, 2009).

CONCLUSION

In this Paper is analysed the labor flows in ICT sector, an opportunities for new jobs through networking in clusters. The relative theoretical background is given on clustering, organizational change and resource theory.

As a practical case is analzsed the structure and clusters of ICT sector in Serbia. Technology clusters in Serbia are still in founding and regions have not achieved jet successes exporting into worldwide markets, but are successful in boosting employment flowes.

A transfere of good practice of inner connections among firms is necessary as well as more active governmental and institutional support to these clusters in future times.

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ECONOMICS AND ETHICS, BUSINESS AND MORAL

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Abstract

The authors discuss the contemporary and highly important issue for modern society: the relationship between economics and ethics, between business and moral. The authors emphasize the amorality as a phenomenon that seriously threatens the modern economy and business. It is supported by the example of "money laundering" and "offshore business". The authors call for fight against the illegal economy and the fostering of business ethics.

Keywords: *economics, ethics, business, moral, illegal economy, business ethics.*

ECONOMICS AND ETHICS

Ethics in the economy means the adoption and compliance of standards of conduct and moral values of the society in business. It is particularly important for countries in transition, in which corruption flourishes, gray and black economy. It is expressed as business ethics.

Business ethics is a system of business principles and values, which is related to the duties and obligations of the business. It determines what is good and ethical in business form aspects of business ethics and what is weak and unethical. It determines what is fair and what is unfair.

Ethics should particularly come to the fore in finance. Here, it appears because participants of financial markets want to satisfy their interests, and there is a direct conflict of profits and ethical principles.

Since even the church and charitable institutions by investing want to make a profit, ethical norms that are put before an individual can not be applied in the same manner in finance. Legal restrictions are necessary that are actively enforced, according to which the guilty is punished appropriately. Ethical standards are complemented by the laws, but also serve as a justification for their decision.

Ethics in finance can be seen in several ways: (1) in respect of agents and principals, for example agents are often in a position to benefit themselves at the expense of the principals (brokers, bankers and the like.); (2) certain forms of unethical actions could undermine the integrity of the financial markets. Even a small percentage of dishonest participants can undermine public confidence in the entire market and have a serious impact on the business of honest participants; (3) individual investors or management of companies are willing to sacrifice part of the profit, so they could invest in accordance with their beliefs (investing in expensive forms of production that do not pollute the environment).

Ethics in advertising should also come to the fore. It is manifested at different levels: (1) from the consumers/buyers level, which means offering the right value (in quality, function, usefulness, safety) for the asking price and the obligation of accurate information on all relevant characteristics of the product/service; (2) from the point of competition, it is a business in accordance with the rules of good corporate behavior, which means not putting down the competition, not treating competitors as an enemy to be destroyed by any means; (3) from the perspective of the general public, it is the cultivation of good taste, moral values, cultural values, respect for the traditions and customs of the overall business.

Business is directed, therefore, by economic principles and legislation. This, however, is not enough. Each business situation raises the issue of moral and ethical dilemmas. Moral behavior may not be always profitable in the short term, but it is the "best" investment for economic success in the long term. In addition, none of the national economies can function without integrated legal, moral and other "stabilizers". Modern democratic development requires harmony of material and all-human values, where ethical values have a very important role. Man is not only an economic factor, but also an ethical being.

BUSINESS AND MORAL

Contemporary business is related to, unfortunately, the gray and black economy. For example, in economics of drugs (narcotics) the main consumers are from the United States and Western Europe. In 2000 year on cocaine was spent 36 billion USD (U.S.A.) or 12 billion USD (West Europe). On heroin in the same year was spent 12 billion USD (U.S.A.) or 20 billion USD (West Europe). Of these, only 1% of the money they earn goes to producers, while 99% goes to retailers (Politika, 2003). Today, drug trading is fastest growing area of international crime. "Money laundering" is also a profitable business today. The total amount of "laundered money" is greater than the gross national product of many countries.

Business connection with the gray and black economy raises the question of the relationship between business and ethics.

To get a profit, the business produces goods or services, or is engaged in buying and selling. In addition, many people who start a business do not care about ethics. This does not mean, however, that they are unethical or immoral. Rather, they are amoral, in the sense that they believe that ethical considerations in business are inappropriate. For them, business is business, they resist moralizing. They honestly feel that the business is not expected to deal with ethics. Even when the company acts in accordance with the principles of ethics, it is rarely praised in the moral sense. This is how the myth of amoral business was created. According to the myth, business people do not act unethically because they yearn to inflict some harm, but simply because they want to make a profit, at the same time ignoring some of the consequences of its actions.

Is it, however, true that in business anything is permitted, in order to achieve a profit? Before answering this question, we will explain the origin of the above myth.

The myth of amoral business was raised from strong individualism, which is emphasized in the modern free-entrepreneurial approach to the business.

Free enterprise system, characteristic for a modern economy, emphasis profits because the companies are formed for making profit. Along with the desire for profits goes the desire for good wishes and the kind of life that money can buy. Longing for the good and easy life and the value that is attached to such a life leads often to the greed that makes people blind to the demands of justice. On the other hand, free-enterprising system starts up and keeps the competition at all levels. The competition is not only strong but also fatal. Competition excludes the weak and less productive, overly cautious and less skilled. This rises to the "economic Darwinism". In this ruthless struggle many succumb to the temptation to win, by whatever means, fair or foul.

Some believe that the economic system is value-neutral: every person within the system goes for its own good. The market becomes neutral ground for joint operations, where the common good is achieved without anyone's specific efforts.

Stated view is a simplified form of the performance of the free-enterprise system. The reality is, however, different.

Both the state and the world, in fact, have recognized that, for example, the available natural resources have their limits, that industrialization paid a huge price, and that the ecological system is seriously compromised and endangered. The outcome is our knowledge that many of our actions involve value judgments. For example, if you want more power, you need to consider carefully whether you are willing to risk the hazards involving nuclear reactors. If we want a strong military force, we can not have it if, through taxes, not raise the money needed for its maintenance.

Individuals in business can not, therefore, act as they want. Regulations, decisions and guidelines of the government lead market trends. Businesses are asked, if not unconditionally required, to consider the impact of their decisions and actions on the environment, the public and the common good. Air and water are no longer natural resources that can be used freely. Today, manufacturer can not overlook the safety of workers and consumers.

Most businesses, however, are structured in such way to deal with the moral requirements or to measure the value of the non-profit way. How to achieve this? This way you will understand that business has a moral background.

Business activity is, in fact, human activity, which may be of value to be assessed, as well as any other human activity. Connection between business and moral is even deeper. Business, like most other social activities, presupposes the existence of moral background and without it would be impossible. Morality is, in fact, "oil" of business. If you could live in the business world without morality, such world would be unbearable. Consequently, the claim that business and ethics do not mix, could not be sustain itself. The goal of business ethics is not necessarily a matter of changes of someone's moral beliefs, but reliance on them.

MONEY LAUNDERING

In spite of the above requirements (imperatives) for ethical conduct in the modern business, unfortunately, immoral (amoral) behavior is in act. The best example of this and such (immoral) behavior is a "money laundering" and offshore business.

"Money laundering" is the process by which "dirty" money is moved from crime through the financial system in a manner that conceals its true origin, but in the end it appears as it is from legitimate sources.

"Money laundering" is a complex process consisting in the inclusion of a larger number of participants - financial and non-financial institutions and

individuals. This process identifies three phases: (1) the release of the cash from crime activities and its transformation into non-cash assets (placement), (2) termination of the connection between money and crime, including the implementation of a number of transactions in a relatively short period of time (changing), (3) the laundered money get back into circulation, and integrate into the legal system of economics and finance (repatriation or integration).

In this unlawful and illegal activities "launders" of money trying to include as many layers - individuals and institutions: banks and insurance companies, financial intermediaries, lawyers, accountants, tax consultants, car dealers, traders of precious metals, precious stones, real estate, luxury goods of the high value, casinos, lotteries, games of chance, money-changers, auctioneers, commercial travelers and the like. However, the key roles in the "money laundering" have commercial banks, what does not mean that the roles of other financial and non-financial institutions are negligible.

"Money laundering" tends to be more and more internationalized, meaning that it increases the distance between the place where the criminal activity took place, where money was created and the place where the money is "laundered". It is improved by the electronic transfer of funds because it allows quick and easy movement of cash between accounts in different countries. Using contemporary techniques bank may in one day send a certain amount of money in a number of countries, which removes traces and creates problems for finding sources of money, regardless of whether it is legally acquired or not. Usually the money is channeled to the first off-shore countries or centers that later invest in other countries.

"Money laundering" is a profitable business. The total amount of money laundered is greater than the gross national product of many countries. It is believed that with the fight against drug trade (underground, the black economy) money laundering problem would be solved. However, the drug problem is larger today than ever, and drug trade is the fastest growing area of international crime and the "laundered" money takes bigger place.

"Money laundering" criminals made an attempt to conceal the true origin and ownership of illegally obtained funds and other financial gain. If such an operation is performed successfully, it creates a legally cover of the true source of those funds. Therefore, the "money laundering" refers to any activity that comes from criminal or illegal acts.

"Money laundering" is carried out **with the cooperation of the state, the mafia and the business world**. It is estimated that three factors in particular contribute to the development of these business activities: full liberalization of capital movements in the 80-ies of the last century, which led to lose control at the national or international level, and the growth of the dematerialization of financial transactions, and increased number of places in the world in which these transactions can happen, or where financial crime is tolerated ("tax haven").

In developed countries and at the international level in the past decade laws have been passed that should curb „money laundering“ and drug trade. However, given that the money derived from criminal activity is present in a number of countries, and that the boundaries between countries are not an obstacle, it is clear that the problem can be solved by the coordinated activity of states and international institutions to establish firm rules that we should all follow.

Off-shore business

The economy is the business which involves job, work or employment. In a broader sense it means earning, trade or business life. In the American and English economic practice this term is often used as a general designation of each action that incorporates elements of professionalism earning. The term businessman refers to the business people of the capitalist world, primarily the capitalists - the entrepreneurs and capitalists owners of industrial, agricultural, commercial, banking and other enterprises and joint stock companies.

In the modern business is increasingly talking about offshore business as a form of non-resident business. Offshore is a legal enclave that is different from the on-shore (within the country) business. Offshore centers operate, namely, primarily (but not exclusively) with foreign entities (non-residents). Considering the property offshore companies could be: retail, banks, insurance companies, shipping companies. Today, there is almost no international company that actively uses offshore opportunities for their business.

Object of business of offshore companies is usually all but the domestic market. This is due to the fact that offshore companies pay or symbolic or not any tax on the profit and enjoy other numerous business benefits, so their business in the local market would inevitably highlight their competitiveness in relation to domestic (actually registered) economy and got to the suppression or even bankruptcy of domestic enterprises in the face of this unfair competition.

Business in the new century has experienced radical changes. Changes can not be controlled, such as Drucker says, but they must go to meet. As Bill Gates says ("Business with speed of thoughts") successful companies of the following decade ... "will be the ones that use digital tools to reshape its business. These firms will make quick decisions, will act efficiently and will be directly in touch with customers in many positive ways. The transition to digital will place us at the top of the wave of change that will break the old way of doing business. Digital nervous system will allow us business with the speed of thoughts - that is the key to success in the 21st century." Or as Richard Mack Gin says (President and CEO of "Lucent Technologies" company): "You must be quick or you will perish." It's just the opposite saying "speed kills." To achieve the necessary speed in modern business for modern economist has information technology.

These changes, which are occurring in the 21st century, unfortunately, are being abused. Offshore centers are potential targets for "money launderers". Potentially suspicious transactions are possible in offshore countries and especially in unsupervised or poorly supervised banks (in particular at the following locations: Cook Islands, Dominican Republic, Marshall Islands, etc.).

Offshore investment centers are the places where owning property has special advantages. And it is all because of low or non-existent taxes on income and wealth. There are also laws related to trusts, from which companies, particularly financial companies can do business with tax breaks.

Since 60-ies of the last century onwards a number of investment funds, many of which are managed by the financial institutions from Great Britain and similar countries, have been established in these countries, while a significant number of investment operations, which include the storage and management of the funds of private individuals, led to the realization of tax benefits.

Some of the offshore countries are somewhat greater than "countries on the books" and offshore institutions are registered and have act on business. Other are operating centers, in which, in addition to the mentioned investment business, there is a significant volume of international banking business, and they play an important role in the euro currency market. This is particularly evident in the negative sense, before and during the modern global financial crisis (since 2008.).

Offshore banking jobs are jobs that are carried out: (1) in the subsidiaries that are consciously (intentionally) established in countries whose legal, tax and supervisory systems are not as stringent as in the home country, (2) in the subsidiaries that are located in the territory of the home state, but in favorable areas, which are exempted from the general regulatory framework of the state.

In early 90-ies of the last century about half of the world's money supply and its flow were deposited or passed the said courses. Prescribing activities that banks may engage in, has reduced their ability to meet the challenges of competition in their home countries. Therefore, banks gradually moved its operations in the so-called regulatory oasis.

INSTEAD OF A CONCLUSION

Any disregard of ethics and ethical values in business and economics has enormous negative consequences for the individual, the nation and whole society. It is, therefore, a permanent fight against the black economy and corruption, as well as the fostering of business ethics.

The fight against corruption and the black economy

All over the world and the internal economic and political scene is present so called black economy: illegal trade of goods (excluding customs duty), the circulation of speculative capital, production and trade of narcotics, illegal arms trade, trading with "white slaves" and more. Size only of drug market in the world is estimated at hundreds of billions of dollars.

Corruption is in parallel with the black economy, the global problem of all countries and all societies, particularly countries in transition. "The global coalition against corruption" (Transparency International - TI) in its annual report on the "abuse of official power for private benefit", published in Berlin (September 26, 2007.), brings table where are 179 countries. In the first place, as the state in which is the lowest perception of corruption, was Finland. From a maximum ten points, according to the methodology TI, Finland has a 9.3. And at last, as the most corrupted country in the planet, was Somalia, where resistance to bribery is only 1.4.

In addition to Finland in elite companies are also New Zealand, Singapore, Sweden, Iceland, Netherlands, Switzerland, Canada, Norway and Australia, as well as the ten most resistant to corruption. That year, Serbia was at the 79th place (3.4) and in the previous year at 90th place. Before the Serbian were Macedonia, Montenegro, Bosnia, and even Russia that was at 143 place. Before Serbia are Croatia (64th place) and Slovenia (27th place).

After the democratic changes in Serbia in 2000 the Corruption Perceptions Index was 1.3. In the meantime, this index increased and the last three years is 3.5. This indicates that corruption in Serbia is still very widespread and that the fight against this phenomenon has not yet made any significant results.

Corruption is a negative, harmful and immoral phenomenon that certainly has ethical consequences since it undermines the basic values on which society is based and makes a negative impact on the creation and development of moral awareness in business and economic relations. Unfortunately, corruption in Serbia has become a model of socially acceptable behavior and has a systemic character and engulfed all aspects of life and work.

It is estimated that the global level of corruption reaches the number of one thousand billion dollars. Bribes, according to the other findings, are often given to the police. However, each country has its own specifics in corruption, as well as their own level of tolerance for it. Each country also leads the fight, successfully or unsuccessfully, against corruption as a serious disease of modern society.

Fostering business ethics

Ethics is an important discipline that defines the quality and character of truth about man and society. **Ethics** is a part of philosophy that studies and estimates the moral flows (what is good or what is bad, what should be or what should not be). Displaying their characteristics to others, a man is trying to present an image of themselves, about their character and their moral values. If this image of the individual to others is displayed in the form of personal contact or civil relationship, then this relationship has the character of **civil or personal ethics**. If this relationship is expressed in the form of an individual attitude against a particular action or against certain activities and actions, then it comes to business or common ethics.

Morality is a set of customs, rules and norms, especially on good practices, those that allow desirable free survival and development of the individual and society, virtue, vigor. Adam Smith had no moral resources required in the religious and mystical sense, but in the simple element of compassion.

There is a difference between law and ethics, legal and moral norms. Legal norms are protected by force of social power, while behind the moral norms is standing ideological force of public opinion and remorse for immoral actions, a sense of value loss in their own eyes because of actions committed. Man, in fact, feels free as long it is acting according to his own conscience.

Special forms of moral behavior are egoism and altruism. There is also a moral code and professional ethics.

Egoism is selfishness. Self-interest is placed above the interests of others. It is the main theme and often the sole human activity, even at the cost of the damage that others may have. This behavior is justified by an instinct for self-preservation, where dominates his own sense of "I", which is considered as a primary, while the sense for other is considered as a secondary. Egoism is accompanied by greed and desire for wealth.

The opposite of selfishness is altruism. It is love for others, selflessness and desire for help to others, especially those who need help. It is accompanied by solidarity.

Professional ethics is morality and behavior that is created and used in the professional occupations and social groups, as well as other groups. The base for the creation of professional ethics is the specificity and the social status of the profession that the individuals are involved. So, there is a professional moral of doctors, lawyers, judges, professors and others. Professional morality is usually not in contradiction with the general prevailing social morality, but usually specifies its general provisions to specific professions. Professional morality develops a sense of honor among the members of a profession.

The moral code is a set of relatively precisely formulated moral norms. This type of modification of moral norms is relatively rare method of determining the conduct of members of certain professions or occupations. It is represented as prescribed behavior of doctors, lawyers and others, which are important for the promotion and protection of the profession (trade, vocational ethics) and faster penetration of moral awareness in people's behavior.

For us business ethic is interesting, as a set of moral principles and behavior of economic entities, which are the permitted activities in the conduct of economic affairs. Principles of business ethics are different in certain economic activities. For example, the ethic of economic promotion is based on the principle that the guardian of promotion is not allowed to put to the product those quality attributes that he really does have. Even less is allowed to trail characteristics of its competitor products; to express negatively to the competitor; that in general makes a comparison between themselves and competitors by examining the difference between their products with same purpose. These and similar appearance leaves an even more negative image when it is not based on any argument, when it is clear expression of improvisation, bad will, or even hostile.

The quality of business ethics is conditioned by the quality of an individual's behavior against others. At the same time the behavior of the individual is conditioned by respect and application of ethical values of society. Ethical values of society depend on the relation between ethics and politics. As much as the country is governed, impaired moral judgment of the people in power is not, in fact, rare. It is the so-called abuse of power, nepotism, conflict of interest, fraud, corruption. All this is accompanied by a Machiavellian saying "Who moralize has no place in politics. For him is the church!"

It is very often case that people connected with politics and power easily and often lose their direction and orientation in space and time. They often forget the most basic ethical and moral norms. A common misuse of power and position in government or economy is for unpunished crimes committing, immorality, unethical behavior and previously mentioned conflict of interest.

Business ethics determines the principles on which it is based (Ristić, 1999, p.31). The most important principles of business ethics are: the principle of mutual benefit, the mutual trust principle, the principle of good faith and the principle of business compromise and commercial tolerances.

The essence of the principle of mutual benefit is that none of the partners should be unsatisfied and have feeling that he is cheated. Interest must be met on both sides, and of course, at the same time third side should not suffer, nor be achieved to the detriment of society.

The principle of mutual trust is very important for the functioning of the economic system and market relations. In economic transactions of significant actions, great value, conclude, often, the word over the phone, without witnesses and without a formal contract. Such a specific relationship between partners can be successful if between participants is dominant the ethical principle of mutual trust. When it comes to confidence, it should be stressed the importance of trust of all participants in the economic affairs of the measures and actions of the state as an economic entity. Distrust of the state in economic activity slows or even leads to moving the capital.

The principle of good faith requires that a business partner acts in good faith. He does not intend to deceive their partners, cheat, lie, steal, damage or act in any unethical way that he would not want to be for him to act.

The principle of business compromise and business tolerance represents some kind of superstructure on the previous principle and is particularly evident in market relations. In fact, the market is facing a buyer who has the interest to buy as cheaply as possible and the seller, whose interest is to sell the more expensive. Equating this antagonistic relationship between the buyer and the seller realized precisely by virtue of this ethical principle. Without these ethical values of business partners market would be doomed to failure, because there simply would not work.

The construction of principles of business ethics is in terms of the corresponding objectives of business ethics. With application of business ethics the huge number of goals can be achieved. Out of the many goals one of the greatest is to achieve the protection of investors. This stems from the place and the role of investors in the overall national economy. Their capital, which they invest, is the basis for the creation of a new national values, wealth and prosperity.

In all modern economies investor interest must be provided, and the investor when investing its assets must have a complete sense of security and confidence in the mechanism and the ethical values of the market and the state as a regulator and controller mechanism and the values of the individuals in it.

Investor interest has to be maximally protected by all parties whose interests are in conflict with his. In addition to the conflicting interests, the other participants, who are in the role of the debtor, are always able to abuse investor's interest. They, in fact, in the market operations with investors may not have any material damage, which makes additional burden of market risk on the side of investors, known as the "restitution of risk" and "risk of fee income" in respect of legitimate ownership (Ristić, 1999, p. 37).

Any disregard of ethics and ethical values in any part of human creativity, especially in the area of business relations, therefore, has enormous negative consequences for the individual, the nation and beyond that to the whole civilized humanity. Ethics and aesthetics are, in fact, part of modern business.

Therefore, it is necessary to foster ethics and ethical relations as the main regulator of all, especially business, relationships. It should be noted that the relationship between the ethics and the law is such where it is more normativism in a society there is more crime. Ethics and normativism are, namely, the dialectical contradictions: more ethical means less regulation and normativism and vice versa. Ethics can not, therefore, be legislated. Also, legally and ethically are not absolutely the same.

Companies need to do more to promote the code of business conduct and to implement it in the appropriate space where the boundaries are drawn in accordance with the law. The legal basis is not the only one of the available weapons in the fight against illegal and unethical behavior. A very important place and role must have preventive measures. At the first place should be an improvement in the field of awareness of what is morality and ethics.

In addition to fostering business ethics it is important that business ethics becomes a part of education of modern manager. These are required skills and knowledge, whose research helps in making their own decisions and evaluations of others' actions. Managers must, in fact, permanently establish a balance between the benefits (profits) and moral conduct. As a moral is personal capital of honest people, for companies - reputation is everything!

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MOBBING

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Abstract

The subject of the paper is scientific analysis of the current, very difficult and very widespread phenomenon in the field of labor relations- psychological harassment (mobbing) at work.

The aim of the paper is to investigate characteristics of mobbing, its origin, forms of expression and effects, and to find the appropriate means and measures for its prevention.

Mobbing is a psychological terror at work place. It is achieved through hostile and unethical communication and harassment by one or more persons, mostly towards an individual, who is then put in a position where he or she is helpless and unable to defend him or herself. This is done very frequently (at least once a week) and during a long time period (at least six months), which leads to the significant mental, psychosomatic and social suffering of the victim.

There are horizontal and vertical mobbing. There are different types of abusers. The most common are: the one craving attention, imitator, guru and psychopath or sociopath.

Methods and ways of psychological harassment of victims are many and varied, ranging from petty insults, contempt, public rebuke, expressing falsehood, lies, slander, through secret and public threats, to use of physical violence.

Mobbing leaves numerous, different effects not only on individuals but on families, too, as well as on the narrower (companies) and the broader social group (state). The basic elements of struggle against mobbing are legislation, preventive measures, public education and, finally, repressive measures of penal policy.

Mobbing is present, more or less, in all countries of the world. In Serbia it is widespread, and there are no necessary and sufficient conditions for its suppression, primarily due to an ineffective judiciary, expensive court fees and attorneys' fees.

Keywords: *mobbing, mobbers (abusers), psychological terror, harassment, suffering, unethical communication, lies, slander, blackmail.*

THE CONCEPT OF MOBBING

The term mobbing comes from the English word mob (our most suitable translation could be – raff, or thievery corporation, rabble and even mobster) and mobish (hillbilly, rough, primitive, vulgar). The expression is mostly used in the European countries (Sweden, Germany, France, Italy). The term "bullying" is used in the English speaking countries instead, and in the USA are often used terms as "work abuse" or "employee abuse". "Bullying" is a term in the English language often used for harassment of pupils by other pupils or teachers

The term "mobbing" in the modern sense of the word, is first used by the German psychologist Heinz Leymann. He took the term "mobbing" from the Konrad Lorenz. Not only was he the first to use the term mobbing and gave it a new meaning, but also did so much for the theoretical clarification of this phenomenon. He also did a lot on a practical level, establishing clinics to help victims of mobbing.

In professional communication this term denotes the psychological terror in business life. It refers to hostile and unethical communication and harassment aimed in a systematic way by one or more persons, mostly to individual, who is, due to mobbing, placed in a position where he/she is helpless and unable to defend himself/herself. This is done with a high frequency (at least once a week) and in a long term (at least six months), which leads the victim to significant mental, psychosomatic and social suffering.

It should be noted immediately that mobbing is not about petty intrigues, the usual gossip, frequent jokes, which sometimes can be even distasteful and unpleasant. Mobbing is a real aggression. It's a dirty, well-designed, organized, systematic action, with the exact purpose: someone to be compromised, abridged for something, dismissed from a function, unable to become established, to be driven away from work due to someone else's progress, to be free from competition and so on.

A broader definition of mobbing is quoted in a new French law on mobbing, and says: "Bullying is psychological harassment which is repeated through actions that are aimed at degradation of the employee's working conditions, which can cause an attack and cause damage to human rights and human dignity, and physical or mental health or to compromise the victim's professional future."

The systematic study of mobbing began only 30 years ago, because of the changed attitude towards workers and increase in their labor rights. Many researchers have been made on this phenomenon with the desire of recognizing it better and identifying its characteristics in order to be able to work on improving the quality of interpersonal relationships and the prevention of mobbing.

TYPES OF MOBBING

There are two main types of mobbing: horizontal and vertical.

Horizontal mobbing occurs between employees at the same position in the hierarchical organization. Sense of vulnerability, jealousy and envy can encourage a desire to eliminate a fellow (former friend), especially if his/her elimination leads to a progress in one's career. The victim of this kind of mobbing often may be an employee who is noted for his/her quality and commitment to work and duty. Horizontal mobbing means also when a whole group of workers, because of their internal problems, tensions and jealousies, select an employee, the victim, to whom they want to prove they are stronger and more capable, and that they do not want him/her in their environment.

Vertical mobbing torture is achieved vertically. It can go from the top - down, which is often the case, or from down to top, the less frequent case. It is the case when a manager or entire leadership harasses one of the subordinate chiefs, or a worker. Or, vice versa, when a group of workers is organized against one of the bosses and pressures him/her until he/she is dismissed or driven away from the organization.

In some countries' practice, some forms of mobbing are realized differently. This relationship is moving mainly in relations: the vertical in 55% and the horizontal in 45% of cases.

CHARACTERISTICS OF MOBBERS

Mobbers are abusers. These people are hypocrites without morals. They think in one way, talk in another and do something third.

These are primitive and incapable people. They are aware of their inferiority and have an inferiority complex. They know that their labor, professional and moral qualities are at low level. They are aware that others are valuable, capable, and virtuous. It irritates them. They cannot stand the success of others. So they try, in various ways, to denigrate them and to minimize their success.

Since they do not possess the basic human qualities: dignity, diligence, knowledge, expertise, they are often struggling to compensate it with a winning of a position, functions, job titles, which will increase their status and the amount of social power. With the same aim, they strive to form their own cliques, singing groups, gangs, mafia. They need it to be able to determine the fate of others. Interestingly, the mobbers get their supporters from orders of under-skilled people, poor workers, immorals, who are willing to accept even the dirtiest methods and tools for dealing with their opponents. They are on the side of mobbers because of the fear that they would become their victims, too.

Thus, they heal their many complexes and failures in other areas of life (especially in marriage and family). Those are people without positive sensibility, people with personality disorders. Less capable, but powerful. They have no sense for love, joy, creativity, giving and sharing. On the contrary, they are characterized by selfishness, envy, jealousy, hatred. Those negative feelings of theirs are particularly directed towards people who are above them or are their potential competitors. This is done tricky, insidiously, doubly - they publicly court, flatter, but secretly work against other people.

METHODS AND PROCEDURES OF MOBBING

Methods and procedures of psychological maltreatment of victims of mobbing are many and varied, ranging from petty insults, contempt, public reproach, presenting big lies, slander, through secret and public threats and use of physical force. In practice this chicanery looks terrible. Individuals who are the subject of harassment, for example, are not invited to a particular meeting, but publicly condemned if hadn't come. When they arrive, they are not given the word, if they want to talk, they are usually rudely interrupted. They are often attacked and insulted without any argument by the entire group of people, according to a scenario prepared in advance (Petkovic, 2010)

Boycott and isolation are applied. The victim is often moved onto a worse position. He/she is allocated to a job from which can rarely or never come into contact with other members of staff. He/she is sent, for example, on the field under adverse conditions and given the assignments whose conduct offends his/her dignity. The person gets too much job but also short terms, the syndrome of "full table", or the most difficult tasks to be performed, and even jobs unrelated to the profession. Sometimes that person is left without a job for days and weeks, the syndrome of "empty table", and then accused of inaction and gets reduced salary. The victim is imputed with lies, offended, ridiculed, not only the victim but also his/her family. The private life of the victim is threatened.

At work, the victim is always given remarks, criticized and imposed to a continuous control, constantly punished and given a negative score for the work. The victim is required to do a task which wasn't obligatory for anyone else. He/she is also shortened for legal, lawful rights (to him/her only). The victim is also given difficult tasks and too much work, the required equipment is taken away from him/her and replaced with the old, written off one. He/she also has short deadlines for doing something, which is practically impossible, so that's why is punished later. The victim is not allowed to take a vacation, or if allowed, it is in the most unfavorable time. He/she is not allowed to take time off which is previously assigned to; also morally and sexually harassed and even abused.

Ironically and to prolong the agony as long as possible, in the collective is formed a variety of bodies (commissions, committees, "pally committees," "peace council",

"boards of inquiry") in order to investigate the case. The victim is examined and questioned, and is required to prove that he/she was right, that was innocent. This is a special hypocrisy, because the law does not prove innocence but guilt. The process itself is very unpleasant, creepy. Through that the victim experiences again everything already experienced in acts of harassment, and often much difficult.

The members of the Council contribute to it, and are mobbers themselves. Thus, we have a paradoxical situation - criminals judge - honorable people, slackers – hardworking ones, stupid – smart ones.

The victims of mobbing

Mobbing victims are people from all structures, regardless of gender, age, education, background, occupation, status, health, and marital status, nationality, religion, class, ideological, party or any other category.

Research shows that victims of mobbing are the same in all countries:

- honourable persons,
- very creative persons,
- people who had observed and reported irregularities on work,
- people who want more autonomy in work or better working conditions,
- people who after years of impeccable service seek recognition (moral satisfaction)
- young people starting their careers,
- persons who are about to retire,
- redundant people
- ill people (who often go on sick leave),
- people with special needs
- members of minority groups,
- people of different ethnic backgrounds,
- people with specific sexual striving,
- people with atypical disease (AIDS, hepatitis C),
- people with inadequate qualifications.

The types of attack

Depending on the nature and consequences caused to the victim, all the bullying activities can be grouped into five categories.

The attack on the ability to adequately communicate represents a situation when a superior or colleague limit ability of the victim's expression. The victim is interrupted or ignored in the discussion, both verbal and non-verbal contact with the victim are rejected, the looks are avoided and so on..

The attack on the ability to maintain social relationships represents the isolation of the victim. No one speaks to the victim, in some cases he/she is forbidden to speak to colleagues, they all behave as if the victim doesn't exist, he/she is moved to a room away from colleagues or managers or not invited to the common room, no reference to participate in joint celebrations, breaks, informal gatherings etc.

The attack on the personal reputation represents baseless and false stories about the victim and her business and personal life, gossiping, ridiculing (e.g. regarding any disability of the victim or her origin or mode of speech), negative comments about the personal characteristics of the victim, etc..

The attack on the quality of professional work represents constant and unfounded criticisms and complaints, insults, humiliation, excessive control, constant punishment and unjustified low graded work. What is also meant by this attack is the case when a supervisor doesn't praise the inferior or rewards him/her inadequately. Also, the victim is not given assignments and utilities such as PC or telephone are taken away from him/her ("empty desk syndrome"). Or is, in turn, given tasks which are not adjusted to a professional qualification (tasks are too simple or too complicated) and required capabilities which he/she doesn't possess. The aim is to force the victim to make a mistake or to downgrade him/her. Also, the victim is overwhelmed with the tasks with very short deadlines ("full table syndrome"), and constant changing of tasks is present.

The attack on the physical health begins when the victim is forced to perform tasks that impair or endanger his/her health. The victim is not allowed to use vacation or personal days. They object to the use of sick leave and these are specially controlled. He/she is threatened with physical attacks. The victim is threatened or sexually harassed.

MOBBING VICTIM'S REACTIONS

Mobbing is a process, which may take shorter or longer period of time and has its developmental stages. The literature usually refers to the five stages of mobbing.

The first stage represents the initial self-blame. In a certain way this stage is an incubation period of mobbing. Self-blame manifestly shows that exist in certain areas, conflicts, intolerance among employees, which create an unfavorable working environment, and poor personal relationships.

Sometimes over time, the real causes of conflict could be forgotten, but the aggressive tendencies are directed toward a particular person and are becoming more noticeable.

At this stage, the mobbing victim is starting to think of himself/herself as the cause of mobbing. The victim is starting to think about what he/she did wrong that caused such reaction of environment.

Although still not aware of the real cause of this condition, the victim of mobbing begins to doubt himself/herself, in his/her behavior that might have caused such a situation. Such thinking leads him/her to a state of surprise, confusion and anxiety.

In the second stage, a feeling of loneliness is created in the victim. Formed aggression escalates into a kind of psychological terror. Through brutal threats, intrigue, torture, the reputation, honor, dignity and integrity of the victim's personality is attacked. After a shorter or longer period of mobbing, the victim begins to feel scorned, hurt, and rejected. Soon after, him/her becomes all of that. The victim is treated as unnecessary, harmful and undesirable person in the environment.

The victim simply cannot believe what is happening to him/her. He/she realizes that this is very unpleasant and it only happens to him/her. The victim is ashamed to talk to family and friends about it. However, if the mobbing takes longer the victim tells about it. The reaction of the environment is twofold. Initially, family and friends are showing understanding for the victim, calming him/her to endure, hoping it would stop.

However, if the mobbing escalates, and the victim begins to repeat his/her suffering, the environment instead of supporting begins to distance and even scolds him/her, thinking that he/she exaggerates. Some are beginning to warn him/her to think if he/she is to blame for the current situation. Such state is called a double mobbing. The victim represses into himself/herself. The victim begins to suffer, which leads to increased anxiety and depression.

The third stage is characterized by the fact that the victim makes a desperate effort to "fight for survival". The victim withdraws, not contradicting anyone, only doing the work. He/she performs all tasks, even those that he/she is not responsible for. The victim works both regular hours and overtime. Works over weekends, and

does not use the legal right to vacation. The consequence of the work overload is the accumulation of fatigue. For that reason, the victim develops chronic fatigue and numerous psychosomatic disorders and depression.

In the fourth stage, the victim begins to discredit himself/herself. He/she feels unable to get out of the created situation, realizes that he/she cannot handle the job that has been entrusted to her, that he/she is incompetent. That feeling of helplessness, worthlessness and incompetence is just one of the symptoms of her depression. This leads to various disorders and chronic diseases. The victim goes for help to a psychiatrist. He/she starts asking for longer leaves, disability pension, or in the most severe cases commits suicide.

The fifth stage is the struggle for the blockade and elimination of the mobbing. This reaction is characteristic only for intelligent and capable people who are aware that they are under pressure of mobbing. These are strong, healthy and courageous survivors of all kinds of torture. They are aware of primitivism and savagery they run into, but they know that they are right and will not surrender. They use all available legal, psychological, sociological, media and other means to draw public attention to the phenomenon of mobbing. They know they will eventually break up gangs and mafia and that the capable and honorable men and the truth will eventually win. Unfortunately, there is only a small number of such people.

THE CONSEQUENCES OF MOBBING

The consequences of mobbing, experts say, are usually similar for all the victims. First, the change in mood occurs, resulting depression, anxiety, crying crisis, obsessive ideation (victim keeps thinking about that issue). The victim feels panic fear. A sense of social isolation, loneliness, abandonment, helplessness is created. The victim is withdrawing into herself. He/she loses interest for other people, friends, and even family members. It results as emotional numbness, decrease of confidence and causes severe mental depression.

Because of this mental condition, organic disorders are also formed - headaches, sleep disturbances (often severe insomnia), sense of loss of balance, dizziness, disorders of the digestive system, feeling of pressure in the chest, shortness of breath and choking, heart problems, skin changes, reduction of kinesthetic sensitivity. The victim begins with disturbed behavior: aggression or passivity. The victim usually has eating disorders (decrease or increase in appetite), uses alcohol frequently, cigarettes, drugs, has sexual disorders and so on.

Usually such abuse causes severe diseases, sometimes even with the worst outcomes.

This results in disastrous consequences of mobbing. These are not expressed only on the victim of mobbing, most drastically, but also on his/her family and on the community that has to bear the huge cost of her medical treatment, absence from work due to sick leave ...

STATISTICS ABOUT MOBBING

Mobbing as a phenomenon began to be extensively studied in recent years (mostly in the 1980s). Numerous studies have been conducted over individual countries, as well as a comparative study.

Among the most serious researches on the subject is the one by the European Foundation for the Improvement of Living and Working Conditions. The survey was conducted in 2000, in European Union countries. The sample included 21,500 employees.

The survey obtained the following results:

- 2% (3 million) of workers were exposed to physical violence in the workplace;
- 4% (6 million) of workers were the target of physical violence from people outside the workplace;
- 2% (3 million) of workers were the target of sexual harassment;
- 9% (13 million) of workers were victims of mobbing.

The results show large differences between countries in terms of the percentage of workers who are subjected to mobbing. In Finland, 15% of workers are exposed to moral harassment at work, in the UK and the Netherlands 14%, Sweden 12%, 11% in Belgium, France and Ireland 10%, 8% in Denmark, Germany and Luxembourg 7%, Austria 6%, in Spain and Greece 5%, Italy and Portugal 4%. Interesting in their own way are the data that show the movement of mobbing by individual branches, a summary of all member states of the European Union: Public administration and defense 14%, education and health care 12%, hotels and restaurants 12%, transport and communications 12%, commerce 9%, mining and manufacturing 6%, 5% financial services, construction 5%, electricity and water energy 3%, and agriculture and mining 3%.

Heinz Lehmann conducted the most profound research so far in Sweden, in which he collected the data through interviews where the main topic was mobbing. The sample from the employed population which was examined included 2,400 people.

Based on this study the following data were obtained:

The statistics show that 3.5% of employed people are the victims of mobbing. This means, for example, that of 1,186,103 employed men and women in Serbia (information taken from the website of the Chamber of Commerce of Serbia) 41 514 are the victims of mobbing, if we were to assume that the number of victims is the same as in Sweden.

If it is assumed that the average working period is 30 years, we can say that the risk of an employee to become a victim of mobbing is around 25%, i.e., one of the four employees will be a victim of mobbing, for at least six months, during their working period.

The sexes: Men (45%) and women (55%) are roughly equally represented as victims of mobbing. As to the question "Who mobbs whom?" Study found that 76% of male victims were attacked by other men, while only 3% were attacked by women. Also, only 21% of men have been attacked by both sexes. As for the women 40% were attacked by other women, 30% by and the remaining 30% of the women were attacked by both sexes. The reason why men are usually attacked by other men and why women generally attack other women is probably due to the work environment because the sexes are held separately. It can also be assumed that men who attack women are their supervisors. It is known that in the senior management dominate man.

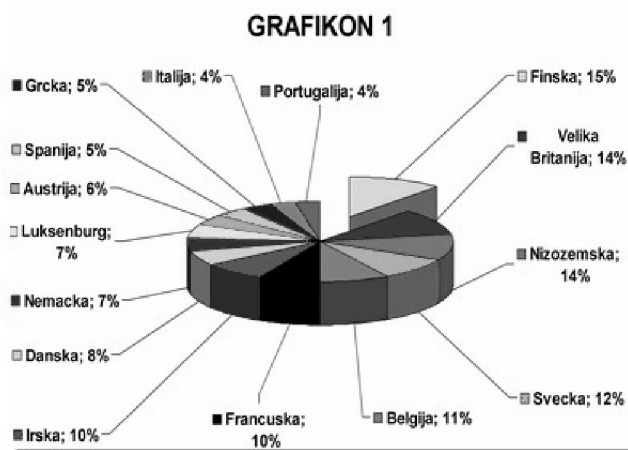
The age: The largest number of victims of mobbing by far is in the group aged 21 to 40 years. There are also no noticeable differences in the sexes when it comes to years.

The number of mobbers: One-third of the victims were attacked by a single mobber. About 40% were attacked by two to four people. Very rarely it happens that the whole class mobbs one person.

The long-term effects: a surprisingly large number of victims of mobbing later suffered a serious mental illness or committed suicide, the study shows it is between ten and twenty percent. From the patients in the mobbing clinics, 80% was thinking about committing suicide ,25% previously had one or more suicide attempts.

Comparisons with other countries: Few countries have conducted serious research on mobbing. Some of them are Germany, Austria and Finland. Compared with Sweden other states had higher total percentage of mobbing victims. Is this percentage higher or lower in Serbia is still to be determined.

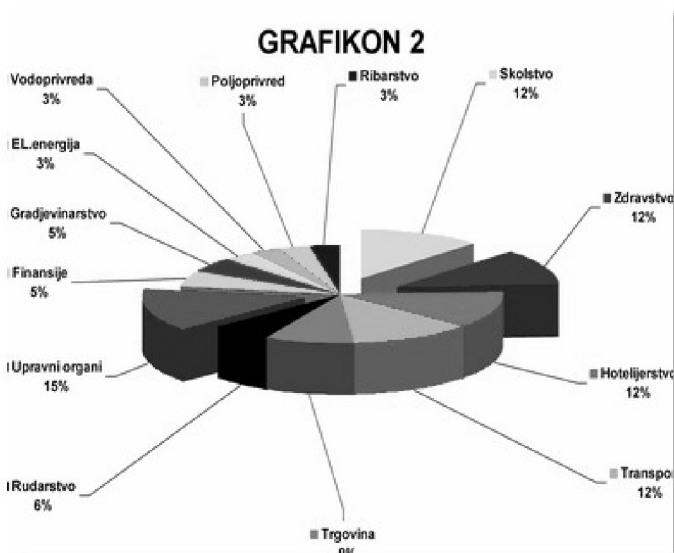
On chart 1, the data were obtained from the most recent research which shows that the percentage of mobbing victims is far higher than Lehmann's study had found (Figure 1).



In Finland, 15% of workers is exposed to moral harassment at work, in the UK and the Netherlands 14%. 12% in Sweden, 11% in Belgium, 10% in France and Ireland, 8% in Denmark, 7% in Germany and Luxembourg, 6% in Austria, 5% in Spain and Greece, 4% in Italy and Portugal.

Occupations: The numbers here showed no significant differences. Probably due to the fact that the sample of 2,400 people was not large enough to study subgroups. However, research has shown a great representation of employed victims working in government institutions, schools, universities and other educational institutions. Another study which was carried out on patients in a Swedish clinic showed that a large number of patients who came for help, worked in schools, universities, hospitals, and religious organizations.

Figure 2 shows the results of new research carried out in a number of countries and in much larger number of subjects (Figure 2).



Many data about a small "pilot study" which was done in Sebia about the consequences of mobbing are indicative. The research was conducted through surveys, interviews, and available medical records. The respondents were from the area of Paracin, Čuprija, Kragujevac and Leskovac. It is about 15 mobbed people of whom 13 were women and 2 were men, aged between 30 and 50. All were intellectuals, 13 people were from educational institutions, one from industry and one from the state government.

Based on this research, it was concluded: "It is only about the vertical mobbing. The consequences are following: pressure, diabetes, psoriasis, kidney attack, anxiety, depression, feelings of depersonalization, increased consumption of cigarettes and sedatives – all of this is recorded in their statements on the dictaphone, as well as supporting documentation. In almost all cases the mobbers

are women executives. They apply autocratic leadership, do not tolerate competition and have no sympathy for their workers. Plastic example of dominant personality structure, which is actually a defense mechanism for their own personal failures. "

THE EXAMPLES OF MOBBING

On one national forum dedicated to mobbing, participants shared their experiences. One participant cites the example of his cousins:

"One of my cousins works in a large company in the administrative area. Basically, they asked her to come back a month earlier to work, but she had to sign that she had asked to return early from maternity leave. Then, when she did everything they required, they told her that she could not use annual leave (although she was entitled to it by law) because she had just started working. So she lost her holiday vacation. She has two young children, one of whom is baby aged a year and a half. She works every Saturday, rare are the ones that she doesn't work, also Sundays are occasional. No one records anywhere these working days and as for the company they are working only 5 days a week. A couple of times she tried to avoid these and be with their children over the weekend, but she was told that she "must" come to work because they have a job and that they are not interested in her private affairs. When her child was sick over the winter, she was panicking to ask for a sick leave, because she knew what would await her when she returns later, by her female office manager. If something wasn't done right or is wrong, a fault wasn't indicated in a normal tone, but hysterical one"

Mobbing is very hard to detect and rarely can be said with certainty that it is not the case. In this case, mobbing is possible on the relation boss - employee and is manifested through humiliation and forcing employee to work at time when it was not planned and verbal abuse is carried out. The duration of actions performed by the female office manager on the employee and violation of the rights are the additional indicators that this is mobbing.

Another experience is noted on the same forum: "It seems to me that in my job mobbing is an inevitable thing, at least concerning my experience. The theatre is much like an arena behind the scenes. A lot of vanity and insinuations, ridicule, gossip ... But it is mainly a sword with many blades which always turns to someone else, depending on the project and situation. I was a victim because I was the target of colleagues who wanted the role that I was given. It was horrible. Working on the role is a huge job, and it's awful if you cannot devote yourself to it, but you are non-stop on the alert, you notice that someone gibes to you behind your back, gossips about you, belittle you in any situation. It is good that the director was with me, and encouraged me. I did a good job. I thought that I would not endure the pressure, but then, suddenly, everything changed. The premiere was held, the question of partition of roles for the new show was in the air, and then the story just

moved on to others. Those who had come together against me now bickered with each other. In a strange way, it was easier, because I realized that the problem was not in me. And I thought of leaving the theater to escape. Am I used to it now? I am not and never will be. I just learned not to give yourself, not to surrender and not to step off. Envy may be one of the motives for mobbing. In this particular case it is not clear whether the issue was mobbing, but there was certainly a tendency to remove the victim. If the pressure from other actresses continued after the premiere of the show, it would be more grounds to suspect, but now we may conclude easily that this was about a rivalry and specific occupation.

Interesting in its own way is the following example: Milenko Perovic, a professor of Faculty of Philosophy in Novi Sad, was convicted for mobbing and discrimination and the verdict was brought, he had to pay 350,000 dinars for the damage to his former assistant Slobodan Sadžakov. "I was asked to fix grades to children of his friends, acquaintances ... asked to participate in a variety of suspicious activity; I received messages of blackmailing character. At the end, I should vote for the expulsion of three colleagues from the university and there was no reason for it. Conditioned, I was told that my PhD will be okay if I vote for. I refused and then a tremendous pressure went on me and the effort to destroy the moral, but also in scientific terms", said for the press the assistant Slobodan Sadžakov. After the teacher's harassment Slobodan Sadžakov was fired, and that was the reason for hunger strike. This was the first verdict of mobbing in a Faculty in Serbia.

THE ANALYSIS OF MOBBING PHENOMENON

The analysis shows that the phenomenon of mobbing is not new. It exists since the beginning of organized human community in the form of work collectives, workgroups, and teams. In recent years it's actualized, broadened and deepened. This phenomenon occurs throughout the world, including our country. It exists also in the developed and undeveloped countries. Of course, the shapes, the volume and intensity of expression are different.

The causes and structure of mobbing in the industrialized countries and in countries affected by the transition are different, including the relationship of macro-and micro-communities by the phenomenon.

Today many American and European companies employ professional mobbers. It spreads like wildfire in countries in transition, including ours. That means "mobbers" become a profession, receive a salary and live from it.

This phenomenon is explained by the fact that in the last ten years labor laws have changed significantly in terms of increasing employment's rights. The role of labor unions is also strengthened. On the other hand, more and more rapid development of technology leads to a continuous suppression of employees who lose their jobs. Owners have to compensate it to some extent. They also have a personal animosity towards all this, and even to the individuals. To get rid of it - mobbing methods are applied. That is how vertical mobbing is realized.

This situation leads to horizontal mobbing. To get rid of ambitious, hard-working, capable colleagues, to achieve their career or to preserve acquired positions, or simply to keep their jobs, they resort to mobbing methods. What can particularly concern is the fact that in the struggle for progress or just survival, there are more and more of those who are willing to reach those goals using the "subtle" mobbing techniques.

However, by expanding mobbing, the government increases measures to fight it (laws, penalties, clinics for the treatment of victims). In 2001, The European Parliament pledged all its members to add provisions on the protection of all employees of "mobbing into the labor legislation". Such laws are applied in Sweden, Norway, Germany, Switzerland, France, Austria, Italy and others. Today, all EU countries have such laws, because they were obliged to do so. Serbia passed that law in May 2010. Clinics exist in many cities all over the world, specialized for the treatment of victims of mobbing.

In all countries that have such laws, moral harassment is unlawful. A mobber is criminally liable, and the victim can claim compensation for the caused "biological damage". In Sweden, the first cases were reported to the court where some employers were prohibited from working for such offenses.

Of course, these countries do not make it just because of the state of humanism, but also because of rising expenses they have. For example, the meticulous Germans calculated and reported the fact that the state is losing as much as 15 billion euros annually (sick leave of "mobbed" workers, the decline of their working capacity and performance, errors, defects, injuries, etc.). The evaluation also showed that in the countries of European Union, each company is losing an average of 30 to 100 thousand euros annually per worker who is subject of mobbing. Thus, so many factory ambulances are being opened for taking care of increasing number of victims of mobbing.

In transition countries, particularly those in the former Yugoslavia (Serbia, Croatia, Bosnia and Herzegovina), where there were conflicts, wars, sanctions and isolations, bombardment, the devastation of the economy, pointed ownership transformation, followed by immense affairs and robberies, which hundreds of thousands of people left unemployed, there were too many reasons for mobbing. Simply, it is not a co-worker conflict over who will have more progress in the career, but it was a struggle to survive on the job (although miserably paid), to provide minimum subsistence.

Gallup's research shows that in Serbia about 60 percent of the employees live with great fear that they will lose their jobs. As imminent restructuring of the remaining large state-owned enterprises is on, which will leave at least 100 thousand people unemployed, the fear increased again.

Pressed by the fear that they will lose their jobs and would, thus, endanger minimum biological existence, it puts them in a position to resort to mobbing method, no matter how virtuous they are. Maybe they do not know what it is called and what it all means, but it is certain that they would rather sacrifice impulsively

their best mates and friends than themselves. It is simply a struggle for survival when even the most virtuous are compelled to violate fundamental moral principles. Of course, such behavior cannot be justified, but can be understandable.

As for the vertical mobbing, in this region the situation is even more drastic. Immediately after privatization, without any exception, it was obvious that there was a huge (somewhere more, somewhere less) redundancy. New owners neither wanted, nor could allocate huge, necessary funds for adequate redundancies. Their goal was to get rich as fast and as much as possible.

In order to hide their ignorance, weaknesses, and complexes, many of them are surrounded with certain groups that poltroon them and give them unconditional support in everything. They were applying the most brutal methods of mobbing when they wanted to repudiate the redundant ones, especially opponents or disobedient people. The dirtiest methods were applied in the process of harassment, methods the civilized world hadn't seen before. For those who have endured it all, they applied the methods of total isolation, forbade them any job, and thus psychically destroyed them completely and forced them to leave the job, without any fee, although some of them had been working there for several decades.

In Serbia, the victim of mobbing did not have any protection until recently. Our law does not know the category of mobbing. There were only the stipulating sanctions for sexual harassment (from the mobbing category), which was difficult to prove. In addition, there was and there is still a substantial portion of the public suspicion, contempt and condemnation of people who report such things.

The only thing victims of mobbing could do, due to our regulations, was to file a lawsuit to the Court, in order to determine in the procedure whether there had been some discrimination so someone could obtain redress, if proved. However, the injured party had to provide evidences, to pay high court fees and lawyers and to enter into a dispute that could last for years, because of ineffective judiciary.

Besides, it was known that the main levers of society (the police, the judiciary, and the prosecution) were corrupted. This is also proved by a high position we have in the international ranking of countries with huge corruption. This is evident by the number of arrested criminals at one specific example, where ten arrested people out of twelve were working in the police, and some were still in active employment. This is supported by data on the number of convicted judges and those on trial or already accused. There are many of them, at all levels, from municipal courts, counties, and over all the way to the Supreme Court. Of particular concern is the fact that neither one of these corrupt judges and police officers were not required to compensate the damaged victims, and thus protecting with their behavior and judging other criminals and professional gangsters and mobsters.

LEGISLATION

If an individual employee feels any pressure or dissatisfaction at work, he/she should first meet with what mobbing is and what the symptoms are and then if still believes that is the victim, he/she should read the above laws and write record of all irregularities in the work place. Finally to contact an attorney and to expose what is collected.

Sweden regulated a protection from mobbing by Criminal Code, under which the mobber is criminally liable, and the victim can claim compensation for the caused "biological damage". Anti-mobbing legislation is on in France, and the penalty range is from one year in prison and a fine of 15,000 euros. Moreover, in Germany helpline for victims of mobbing recorded up to 2,000 calls a day, and opened the first clinic to treat mobbed people.

In 2001, The European Parliament pledged all its members to add provisions on the protection of all employees of "mobbing into the labor legislation".

In May 2010, the Law on Prevention of Harassment at Work was adopted in our country and published in the "Sluzbeni glasnik RS" No. 36/2010. According to this law, any form of harassment at work is prohibited, including sexual abuse, measures are prescribed to prevent mobbing and improve relationships in the workplace and protection from harassment at work.

According to the Law, mobbing is any active or passive behavior towards an employee or group of employees that are repeated, which is the violation of dignity, reputation, personal and professional integrity, and health status of the employee. Mobbing is a type of behavior that causes fear among employees, creates a hostile, humiliating or offensive environment, deteriorates working conditions, leading to the isolation of the employee and forcing him/her to quit that on their own initiative.

Abuse is the encouragement and guidance to mob and the mobber may be employers, officials, employees or groups of employees.

The employer is required to protect employees from harassment and is responsible to pay damages caused by a mobber and may also seek compensation for damage from the abuser.

Also, the employer shall, in writing, notify the prohibition of harassment at work and the rights, duties and responsibilities regarding this and to implement measures to inform and train employees to recognize the causes, forms and consequences of mobbing before the commencement of work of an employee.

By law, the employee is obliged to refrain from abusive behavior. But the right to protect from mobbing mustn't be abused, that is to initiate proceedings for protection without any reason.

An employee who believes that he was tortured, reports it to employer and may take action in the company, which involves selection of a mediator who is a

neutral person and who should resolve the dispute. The process of mediation on behalf of an employee who is subjected to ill-treatment may be initiated by a trade union representative and those responsible for safety and health at work in the company. Mediation is an emergency and shall be completed in eight working days from the determination of an intermediary, and exceptionally, for justified reasons, may be extended up to 30 days.

An agreement reached by mediation includes measures aimed at the cessation of abuse, and the effect of the agreement depends on the willingness of the parties.

The right to apply for protection from abuse by employers expires within six months from the date when the abuse was inflicted.

An employer can reprimand the abuser, remove him from work for up to 30 working days, or permanently move him/her to another operating environment on the same or other work, and is obliged to fire the abuser if he/she repeats abuse within six months of the imposed measures.

Employee, who is, in the opinion of the occupational health services, threatened by an immediate danger to health or life, has the right to refuse to work if the employer fails to deliver measures to the abuser and during this time has the right to compensate in the amount of the average salary earned in the previous three months.

In case of failure of mediation, an employee who believes that is exposed to the abuse at work may file a complaint to the Court in jurisdiction. He/she can do it directly, without mediation, if abused by the employer.

In proceedings in front of the Court, an employee who believes that is exposed to abuse may require prohibition of abusive conduct and compensation for pecuniary and non-pecuniary damage.

In court proceedings, the burden of proving that there wasn't abusive behavior is on the employer.

The fines, in the case that an employer violates the law, vary from 10,000 to 800,000 dinars.

The code of Conduct of employers and employees related to the prevention of and protection from the abuse at work is prescribed by the Minister for the labor.

The Law, which came into force eight days after its publication in the "Sluzbeni glasnik", is applied to all employers defined by the Labour Law, the Law on Civil Servants and to employers and employees in the provincial and local governments.

INSTEAD OF THE CONCLUSION

The presenting of mobbing has become complete, when placed in the concrete working and wider social context. The characteristics of the environment are given during the marking of the World Day of Decent Work. On that occasion, on the 7 October 2012, the organization gathered in the Action for dignified work, issued a statement in which they have presented striking data. According to the data in Serbia, there are between 300,000 and one million people working on “black” nowadays. More than 60,000 employees are not paid for months for their job. Probation is being abused and used as free labor. Pregnant women are not getting extended the existing contracts or those easily get canceled. It is considered acceptable to ask women about family planning during job interviews, and according to that, it is decided whether they will be employed or not. For a number of organizations, there is even a practice of signing blank cancelations of work.

According to the research of the Unions of Serbia, on the occasion of the World Day of Decent Work, from 1998 respondents, 24 percent (or nearly one in four) said they had experienced harassment at work in the last six months. Most of them (60.8 percent) are not asking anyone for help, because, on the one hand, they fear consequences, on the other hand, believe that there are no mechanisms of protection from harassment. It is well known that labor disputes last too long and costs are up to several thousand euros, which is, for impoverished workers, beyond limits.

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PART THREE

***INDIGENOUS ENTREPRENEURSHIP &
SMALL BUSINESS PERFORMANCE***



EDUCATION OF THE EMPLOYED: POSSIBILITIES AND EFFECTS

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Abstract

The socio-educational profile of the employed, the mobility among and within organisations, experience and education of the employed, the willingness for additional qualification and other forms of education in several organisations in Backa Palanka and Backi Petrovac are presented in the paper. Moreover, the authors have studied dis/satisfaction of the work and factors which determine it. The opinions of managers and owners about working force performance and necessity for employees' permanent training have been questioned. Also, we have questioned managers' and owners' opinion about job selection and promotion.

The aim has been to make recommendation, on the bases of acquired data, for human resource development in the organisations in the municipality Backa Palanka and Backi Petrovac.

Key words: *education, competition, specialized training*

INTRODUCTION

Empirical research was conceived as an instrument of the general idea that the education of adults improves the competitiveness of the workforce. It can be said that the initiative for the development of and investment in economic resources largely bypassed not only rural areas but most of the municipal towns in Serbia. This is one of the reasons not only for stagnation, but for regression in the economic development of most municipalities in Vojvodina. The result of this situation is not only the unfavourable social position of the unemployed, but also relatively hard and precarious working conditions, as well as the life of the employed. Therefore, we examined current educational programs for employees in companies, motivation and attitudes towards training as a way of increasing capacity and competence. Lepa Babić and Boris Kordic (2009). Moreover, we have questioned the opinions of managers and owners about working force performance and necessity for employees' permanent training.

The focus of research was the need for education of employees in companies in the municipality Backa Palanka, which is the municipal centre with certain industrial potential and a rural hinterland, and Backi Petrovac, which is a typically rural area. Thus, the following area were examined: socio-educational profiles of the employed, the mobility among and within organisations, experience and education of the employed, the willingness for additional qualification and other forms of education in several companies in the investigated areas. Furthermore, we examined the (dis)satisfaction with work, and perceptions of the factors that determine it. Also, we investigated the intended mobility, or wish to change the job and the company, as well as factors that influence employees to remain in a current job. Moreover, we questioned the opinions of managers and owners about working force performance and necessity for employees' permanent training. We questioned managers' and owners' opinion about job selection and promotion.

The aim of the research has been to make recommendation, on the bases of acquired data, to make recommendations and suggestions of educational programs needed for training of employees in municipalities of Backi Petrovac and Backa Palanka. Also, the aim has been to make courses necessary for qualification and over-qualification. The idea was to set suggestions and recommendations that may have a wider significance.

Data were collected through a standardized questionnaire for employees and interviews for employers and managers of companies. A random sample was used for the survey, which was formed for each municipality. The planned sample size of 300 respondents was carried out in a reduced volume of 278 respondents. 15 owners and managers, who agreed to participate in this study, were interviewed. It should be noted that managers were reluctant to talk about this subject. The survey was conducted from November 2010 - January 2011 year. The collected data were analyzed by computer and presented in tables and figures.

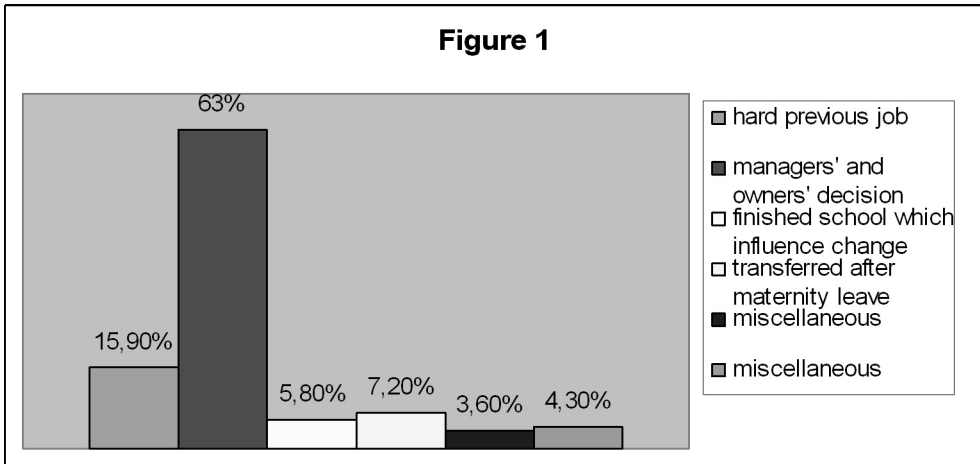
WORK EXPERIENCE AND LENGTH OF SERVICE

The majority of respondents had length of service over 10 years (50.4%), followed by those who had length of service from 5 to 10 years (23.6%). The third group represented those who work from 2 to 4 years (16.7%), and the fourth group represented those who worked from 1 to 2 years (9.4%). Therefore, the sample comprised 49.6% of respondents under 10 years of service.

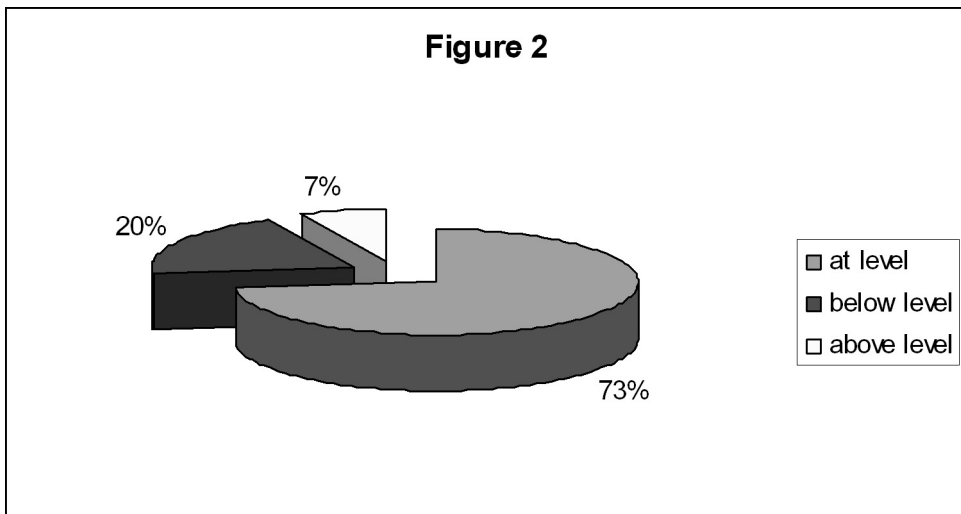
In terms of labour mobility in the observed municipalities, the data indicate that 71.1% of respondents changed companies, while 28.9% of them work in the same company. Mobility is most present with respondents who have 5 to 10 years of length of service: 61.5% said they had changed, so far, three, four or more companies. Then, it is present with respondents who have more than 10 years of service (47.3%), and in the third place among the participants who have 1 to 4 years of service (22.3%). The data suggest that the youth with work experience from 5 to 10 years are dissatisfied with their jobs, and try to find better jobs.

In this study, it was shown that just over half of respondents (50.4%) did not change jobs within the company in which they are currently employed, while 49.6% of respondents did. According to the respondents, labour mobility within the company depended on the following reasons: due to the decision of the owner and management (60.3%), due to the personal initiative, i.e. 16% of the respondents changed the job because it was difficult, 7.2% of respondents changed jobs after maternity leave. 5.8% of respondents were promoted after graduation and 3.6% of them were transferred to easier jobs because of health problems. (Figure 1) Based on comparative analysis of data, we can see that the decision of transferring workers from one job to another, in most cases, is reached by the owner or management.

Research of state institutions, like Labour, Social Affairs and Gender Equality, shows that 16% of respondents have made decision on their own to change their jobs due to the difficulty of the task and women have been moving to another job after maternity leave.

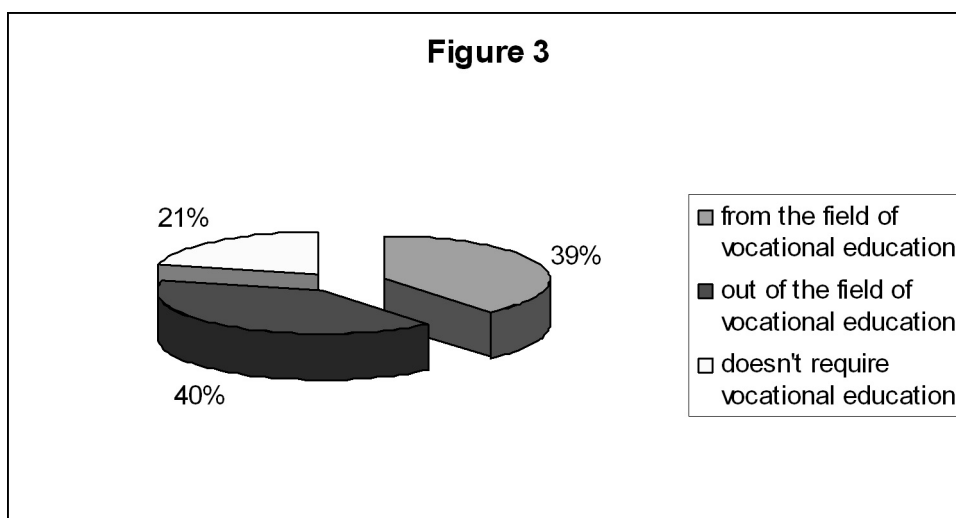


The analysis of the compliance of jobs and the level of education showed that nearly three-quarters of respondents (73.4%) said that their jobs match their level of qualification. One-fifth (20.1%) perform jobs that are below their professional qualifications, while 6.6% of respondents perform tasks that are beyond their level of education. These data suggest a satisfactory relationship between employers and managers and labour force in terms of recognition of their professional education in the allocation to specific positions (Figure 2)



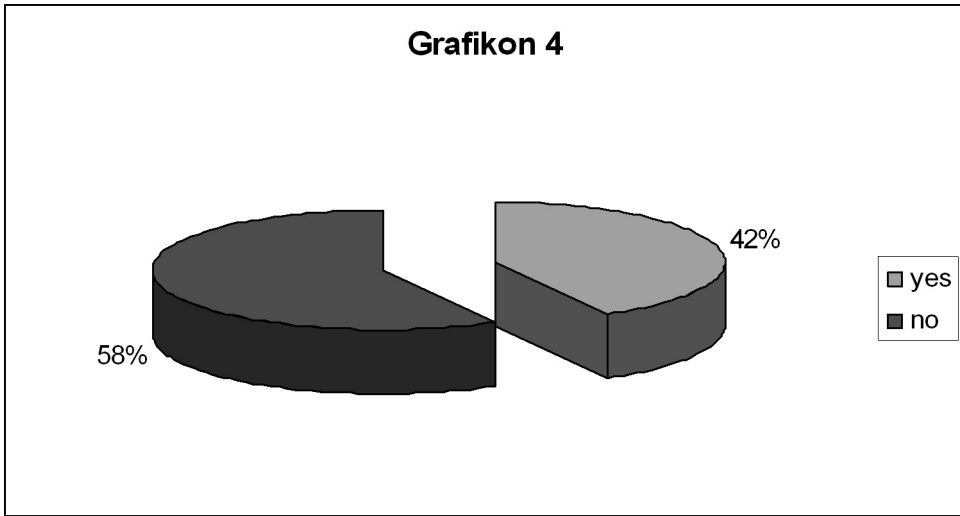
In terms of work place and a type of professional education, the situation is somewhat different. 40.5% of respondents said that their position had not been in the field of vocational education that they have, 38.7% believe that the workplace complies with the type of their professional education, while 20.8% reported that their current job does not require professional training, surpassing the number of respondents who work with either completed or incomplete primary education

(Figure 3) Therefore, according to the data collected in this study, a high percentage of employees are located in positions that are not compatible with the type of their professional education. It is also evident that a small percentage of employees with vocational training perform simple, routine or manual jobs. It can be assumed that in a crisis people are forced to accept jobs, regardless whether they are in accordance with the level and type of their professional education. This finding points out the need for their additional training.

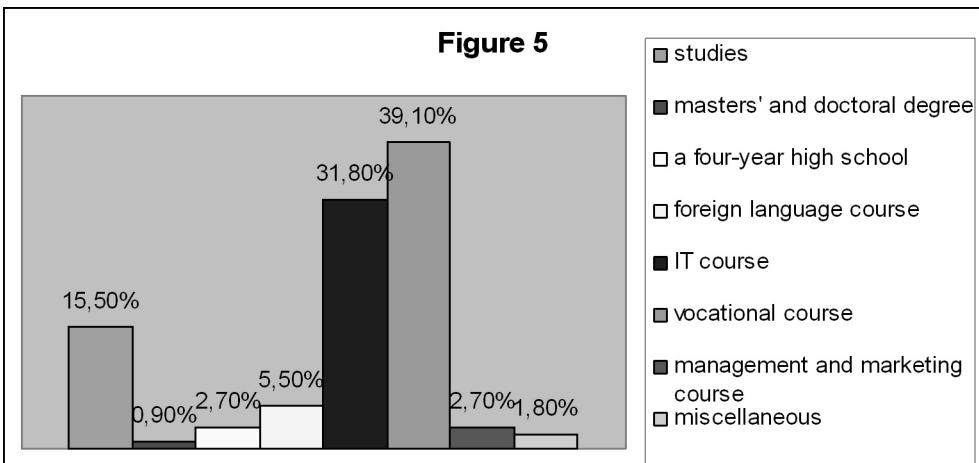


PROFESSIONAL DEVELOPMENT DURING WORKING CAREER

The collected data indicate that 58% of respondents did not have the opportunity for professional training during working career (Figure 4). This fact is in contradiction with the principles of the European Union of lifelong learning as a condition for the survival and advancement in the knowledge society Babić and Kordić (2009). It also means that they did not have the opportunity to acquire new knowledge, skills in their field of work, or to prepare for a better performance at work.



In terms of types of training, it was shown that from 42% of respondents who have undergone some form of training, most of them studied in the field of profession (39.1%), then in the field of IT (31.8%), and 15.5% were dedicated to completion of previously initiated studies. The least number of respondents attended at least a foreign language course (5.5%) and a management course (2.7%) (Figure 5) It can be concluded that the presence of a significant number of courses in acquiring IT knowledge and skills is the result of computerization of work processes and the need for training in this area will grow in the future.

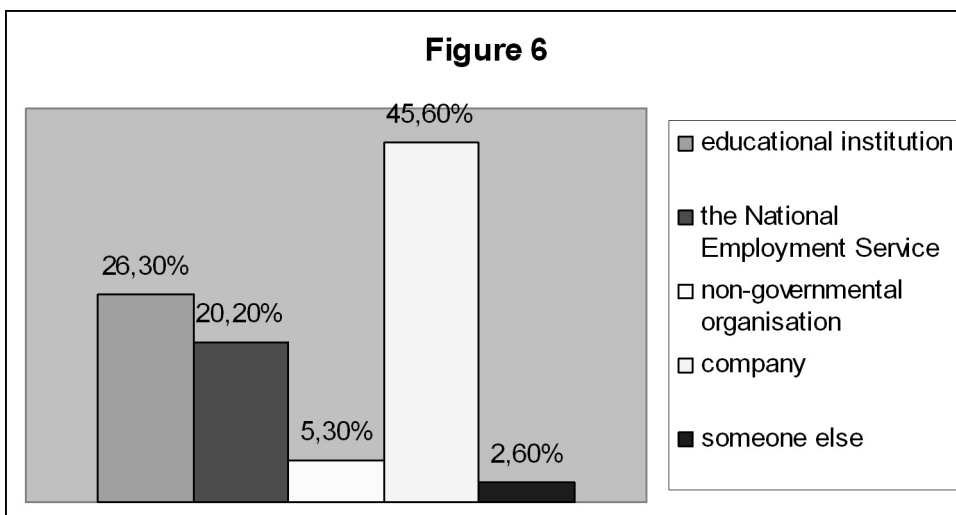


In terms of the number of courses attended by the respondents, the majority of them attended only one course (51.8%) during their working career, two to four courses were attended by 23.6%, and five or more by 24.5% of respondents. Respondents usually attended seminars for up to a week (39.8%), one to three months (27.4%); courses for up to a month attended by 25.7% and those of

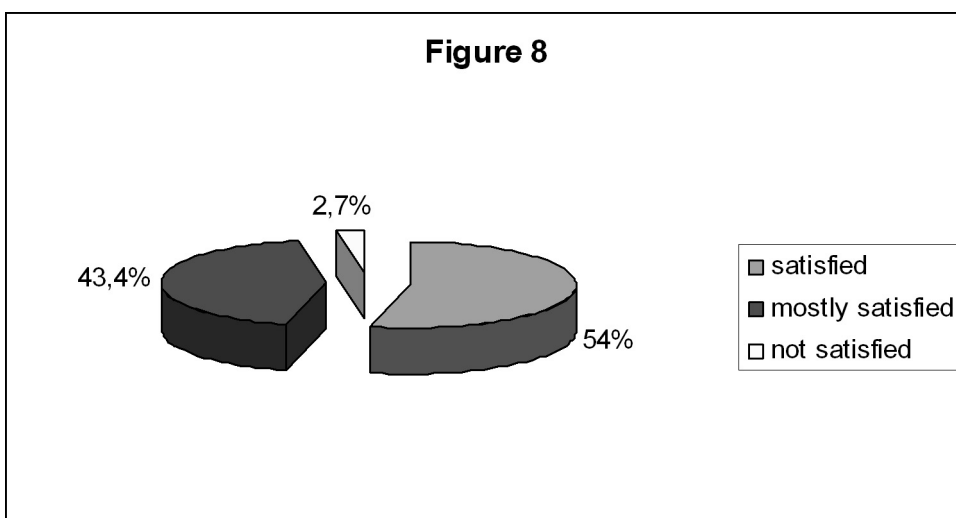
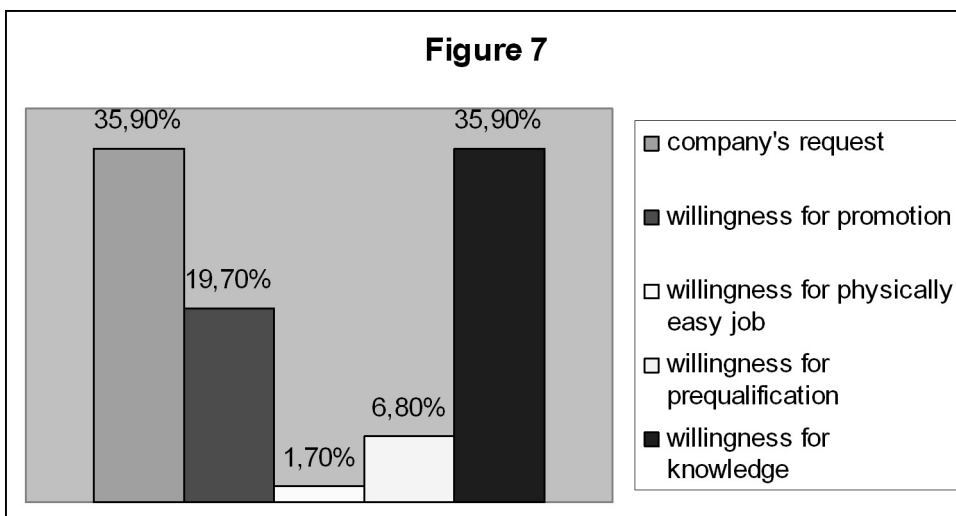
six months or more by 6.2% of respondents. As can be seen from the data, the employees in our sample attended mostly short seminars - from a week to a month (65.5%), which could not be evaluated as significant and sufficient training.

Respondents mostly attended free seminars (47%). 22.6% of them paid training by themselves, the company funded training in 17.4% of cases, while parents did it for 9.6% of respondents. So, a third of respondents paid training with their own money or with parents' money and nearly half attended only free courses. According to the respondents, enterprises were the least source of support for the development of employees.

Previous data can be made relative with findings of the structure of the seminar organizers. It turned out that the company was an organizer and training seminars in 45.6% of cases. It can be assumed that these seminars are organized within the company and in which the lecturers were their experts, and that respondents recognize that the company pays seminars only when they are of external character. In the second place, the organizers of the seminar are listed educational institutions (26.3%), followed by the National Employment Service (20.2%) and non-governmental organizations (5.3%) (Figure 6)



When we asked about the reasons for improvement was obtained following distribution of responses: more than one-third of respondents (35.9%) said that their training was required by company (employer or management), i.e., it was the result of the respondents' personal desire for more knowledge (35.9%). The third most common reason was the desire to achieve promotion in the company (19.7%), and the desire for retraining or changing jobs (6.8%) (Figure 7)



In general, the interviewed employees were pretty much satisfied with the quality of courses: 54% said they were satisfied, 43.4% mostly satisfied, while only 2.7% were not satisfied with it (Figure 8). These data indicate the necessity for training during working careers. In the spirit of the EU strategy for lifelong learning, the enterprises in Serbia should develop and enrich the work practices and training for work. This requires a greater management interest, as well as the help of national institutions specialized in educational activity.

As in the previous findings could be seen, more than half of respondents did not have an opportunity to learn. However, on to question whether they would like to improve the following responses were obtained: a positive response was given by 66%, the "mostly" was favoured by 17.5%, while 16.4% said they did not want to develop professionally. It can be seen that the absolute majority (83.5%) was

motivated for further development. This means that the tested employees are aware of the importance of education in a world of constant changes, constant increase of knowledge and competition in the labour market.

In terms of preferred areas of training, most of the respondents were interested in learning foreign languages 34.8%. For this type of training are mostly interested those aged 20 to 50 years (95%) and respondents who completed a three-year, four-year high school and university graduates (86%), while for this type of training were least interested in the oldest (4%) and the youngest (1%) respondents, and those with higher education (8%) and incomplete primary or elementary school (8%).

26.1% of respondents were interested in additional training in specific areas of the profession. Respondents aged 20 to 49 years were mostly interested in these courses (71%), followed by those with four and three years of secondary education, and respondents with a university degree (85%), while respondents over the age of 50 (7%) and younger than 20 years (2%), and respondents with a college education (8%), and incomplete or complete primary school showed the lowest level of interest in this type of training.

22.1% of respondents showed interest in acquiring or improving their knowledge in the field of computer science. Among them the biggest interest was shown by those aged 20 to 29 years (96%), and respondents with high school education (72%). Much less interest was shown by those who completed college or university (24%). For this kind of knowledge were least interested respondents over the age of 50 (2%) and younger than 20 (2%), as well as those with unfinished or finished elementary school (6%).

7.8% of respondents were interested in learning certain type of craft skills. Among this group of respondents were mostly those aged 30 and over (94%), or not completed or completed elementary education (39%), four-year schools (28%) and higher school (22%) respondents. The lower level of interest in this type of training showed respondents younger than 20 years (6%), and those with three years of high school (craft school) and in respondents aged 20 to 29 years. The respondents with university degree were not interest in this type of knowledge.

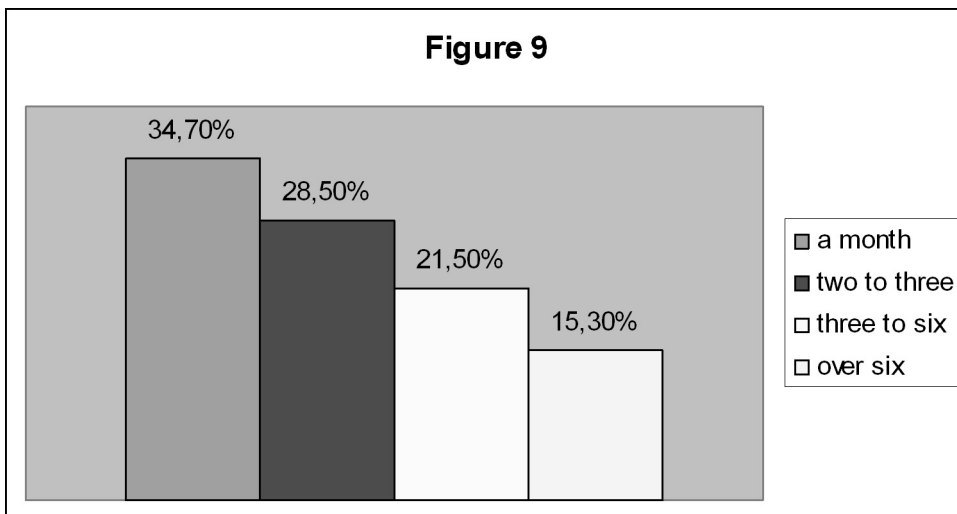
7% of respondents are interested in acquiring managerial skills through additional training and consultancy. The majority of them aged 20-39 years (81%), than there were respondents with a secondary four-year school (44%), college (31%) and three years of secondary education (19%). Much lower level of interest was shown by respondents older than 50 years (13%), and respondents with a university degree (6%), while the interest in this type of knowledge is not demonstrated in respondents younger than 20 years or with incomplete primary education. It has been shown, therefore, that in the examined population of employees exhibit strong correlation between motivation for improvement in certain areas, age and educational level.

The majority of respondents were not willing to pay additional training (61.3%), while 38.7% said they would be willing to invest in expanding their

capacities for technical and professional work. It is important to note that the least willing to pay for training were respondents with either incomplete or complete primary education: 91.5% of them gave a negative answer, while the most willing to pay for additional classes were respondents with completed high (60%) and higher education (56.6 %). This regularity was expected due to the fact that respondents with completed university were more aware of the importance of education for work.

Previously presented data indicate a significant difference between the desire for improvement and willingness to pay on their own for training. Reasons for this can be seen in the long economic crisis and low wages.

The majority of respondents willing to set aside up to one month for further training (34.7%), two to three months, 28.5% of them, from three to six months 21.5% and over the six months 15.3% of respondents (Figure 9) In relation to the age of the respondents, it was found out that those aged 20 to 49 expressed the highest willingness for further education, and they were even willing to take longer than 6 months (97 %). The finding that respondents over 50 years were interest in further learning through a variety of seminars and training sessions, although much lower than in the previous group, were somewhat higher than in the youngest group surveyed employees, probably for fear of losing their jobs. In relation to the level of school education, those with secondary, especially the four-year school, and college expressed the highest willingness to take courses which lasts longer than 6 months (87%). 8% respondents with a university degree were interested in the same type of training, while 5% employees with incomplete primary education were willing to attend seminars and training lasting several months.



The assessments regarding the company's readiness to provide assistance to employees for further education were quite polarized. Thus, 44.1% expect their company to pay additional education or to reschedule their working time, while

41.4% believed their company would not be that helpful. Thus, 22.2% of respondents were of the opinion that they would not receive financial support from their company, 13.8% of them believe that management was not interested to invest in additional training for employees due to oversupply of labour in the labour market and 5.4% of them believe that the company would not help them to balance the working time and training commitments.

On the question of whether the employees of the company were encouraged to train, half of respondents said that only some were encouraged (50.4%), 37% of them gave a negative answer, while 12.6% of respondents assessed that there is a general policy of encouraging the training of employees

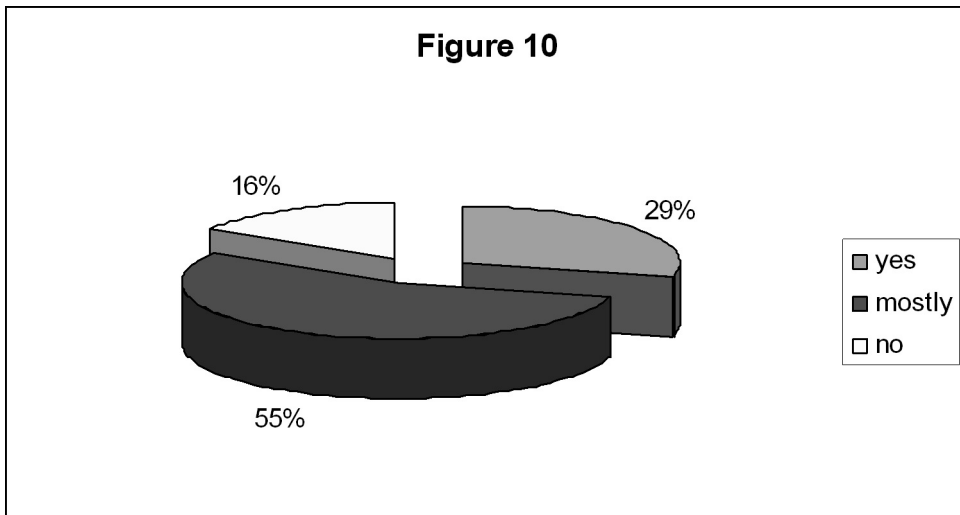
In some companies employers sent employees seminars that were required for a particular type of work, then when the rules were changed, or when introducing new standards of quality. More employers said that the company had no money to train people for jobs through external providers. Thus, they were trained by assisting older and experienced professionals in the firm. It is also a way of selection in hiring new workers, because those who do not meet expectations do not remain in the firm.

From employers' point of view, the young employees who finished a high school or a university do not have practically applicable knowledge or are not unable "to do the job." Employers emphasize the extremely low quality of the knowledge and skills of young people who come from a three-and four-year secondary school ("disastrously low level of knowledge"). *"Teachers have no incentive to teach and the young are not interested to learn. Apathy is present among the general society, and is reflected in the sector either. Parents protect their children from work and make them incompetent to sustain life. I think that young people lack the will to work"* (Manager, Backa Palanka). In addition, employers complain on the low level of work culture among those who come from the National Employment Service, or who have no previous work experience: *"The young today are too relaxed and not resourceful and independent"* (Manager, Backa Palanka).

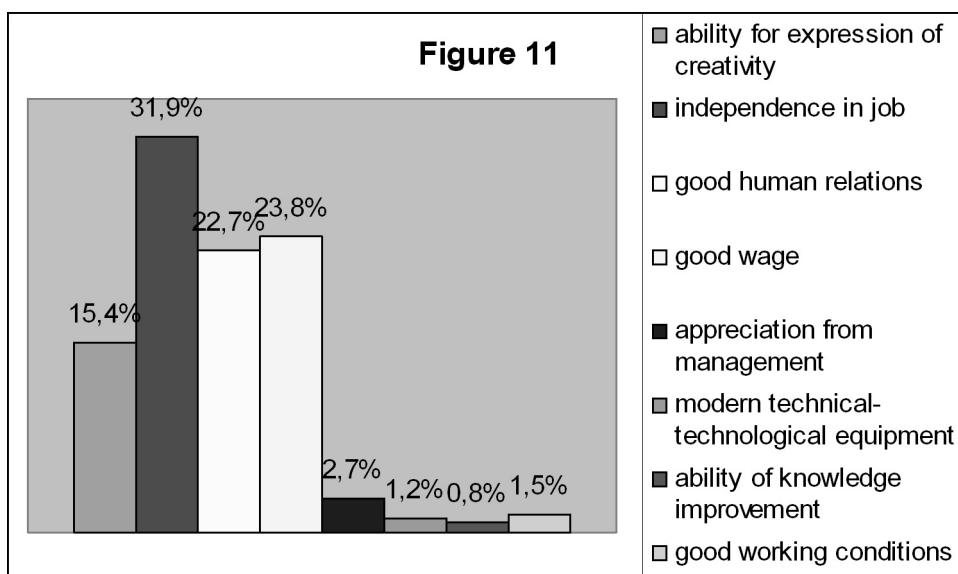
The majority of the organisations do not have plans of human resource development. The general attitude of both owners and managers is that the most important thing, in the times of the deep economic crisis, is to "survive" in the market. Furthermore, they overlook that education leads to change in knowledge, skills, attitudes and behaviour of employees and, thus, they achieve better performance at work. Actually it is a planned effort to improve the characteristics of the company employees at their work places. Since the personality of the employee is at the centre of the process, it is important to devote particular attention to professional development. Regardless of the economic crisis, lifelong learning does not hinder the process. On the contrary, it is a prerequisite for quality work and opens perspectives for the future.

JOB SATISFACTION

We examined job satisfaction with a set of questions. The first question was about the level of job satisfaction. The most numerous category includes respondents who said they were "generally satisfied" with the job (55.4%), the answer "yes" was selected by 28.6%, while the negative response was given by 16% of respondents (Figure 10). It could be said that the basic mood of the group of the surveyed employees partial satisfaction.



We used the distribution of the factors of job satisfaction on the inside (the possibility of expressing creativity, independence at work, the possibility of improving knowledge) and external (good human relations, appreciation of the owners, management, technical and technological equipment companies and salaries). When asked about the characteristics of the workplace that cause job satisfaction, the following distribution of replies was obtained: "independence at work" is a feature of the workplace that is the most common source of satisfaction (31.9%), in second place was "solid earnings" (23.8%), the third is "good human relations" (22.7%), and the fourth, "the possibility of manifestation of creativity" (15.4%). Thus, the data indicate approximately the same effect of external and internal factors on the level of job satisfaction (Figure 11).



The main source of discontent for the investigated group of employees is a "small salary" (43.4%), which was expected due to the economic crisis. On the second place is the "large volume" of work that is exhausting and frustrating for employees (27%). "Poor working conditions" are the source of job dissatisfaction for 9.8% of respondents. These three external factors represent strong source of discontent and frustration, because employees have no alternative. "Vast number of the unemployed waits for their chance in front of the company." Internal factors of dissatisfaction, such as great responsibility and limitations in activities, make up 8.6%, and have much weaker influence than external factors of discontent.

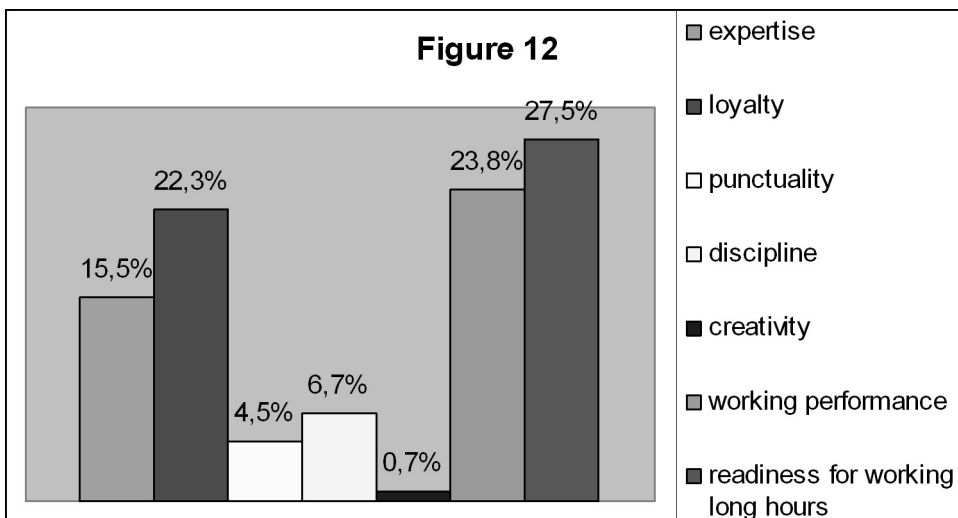
Despite the high level of job dissatisfaction, two-thirds of respondents (66.5%) said they do not think about changing companies, while one-third (33.5%) responded that they would leave the current job.

Among those who would leave the company, the main reasons to do so would be: higher income (42.4%), on the second place is the desire to secure a job (20%), on the third place is sense of exploitation (16.6%) and on the fourth is fear of becoming redundant (8%). The above factors indicate that those who want to leave the company are motivated by coercive factors. Their desire for change is determined by man's natural need for greater security, higher earnings and greater certainty.

Moreover, very indicative data are obtained concerning the reasons why respondents choose to remain in the current company. The largest percentage cited "inability to change current business conditions" (40.7%). This is the most common response among respondents aged 20 to 49 years (93%). On the second place is the mode "I proved to my work" (17.8%), which is also characteristic of the respondents aged 20 to 49 years (85%), and somewhat less frequent with respondents older than 50

years (13 %), and almost negligible among the youngest respondents (2%). On the third place was the option "solid profit" (14.1%). Among respondents, who opted for this modality, are mostly those aged 20 to 49 years (92%), while this option did not choose none of the respondents younger than 20 years. On the fourth place is "opportunity to be valued solely on the basis of their work" (10%), which is the most important reason for respondents aged 20 to 39 years (89%), and significantly lower among respondents older than 40 years (15%), and completely unimportant to the youngest respondents. It is important to note that the option "I have a few more years until retirement," chose a total of 7% of the respondents, including the three-quarters (74%) of those who were older than 50 years. The presented data show that most of the employees remain in the present company because there is no alternative employment. At the same time, employees, who have proven themselves on their current job and whose performance is valued with solid earnings, remain in the company. These reasons are also related to the need for security, and they are valid for individuals who have achieved a good position in the companies they work for.

From the perspective of employees, employers appreciate the desire of their employees to work long hours; performance relating to the quality and quantity (23.8%), loyalty (22.3%), expertise (14.5%). According to the perceptions of employees, employers more appreciate commitment and loyalty to the company, which is reflected in the willingness to work long hours, work performance and discipline, and loyalty, rather than competence and creativity (Figure 12)



The interviews with employers and managers showed that they mostly appreciate following traits of their employees: loyalty, responsibility, professionalism, initiative, motivation to work. As you can see a difference between the perceptions of employees and employers and managers about desirable characteristics of employees is evident in the fact that employees put on the first place the willingness to work longer and work performance, and, on the other hand, employers put on the first place loyalty, responsibility and professionalism.

CONCLUSION

The questioned organisations in the municipalities Backa Palanka and Backi Petrovac acquire a good human resource potential for further economic development. Two thirds of the questioned employees have high school education and a fifth has college or university education. Moreover, the positive fact is that 61,5% of the questioned employed women are in the age between 20 and 39, i.e. in the most productive life age.

The sample represented employees with significant work experience since three-quarters of respondents had experience over five years and half over ten years.

The majority of employed represents indigenous people of the observed municipal centres and villages, and it is expected that they are highly motivated for the development of the company in which they work, and the community as a whole.

The mobility of work force has increased after the introduction of the market driven economy. The mobility within the organisations is also very high: the half of the questioned employees changed their work place and, in most of the cases, the owner and management decided that they should change their work place. The discrimination is present in this process especially by transferring women on other positions after maternity leave.

Almost two thirds of the questioned employees have jobs that are in correspondence with their qualifications. The disharmony is noticed between work place and professional education. Approximately 40.5% of the respondents are located in positions that are not in their field of vocational education. It is the consequence of the necessity for employees to accept whatever kind of job and not to refuse the transfer to other work places in the conditions of huge unemployment.

The results show that more than half of the questioned employees have not had chance for training during their career. These results indicate that the development of human resources is not encouraged in the questioned organisations. It is also characteristic that half of those who went on training attended only one course, which is completely insufficient for improving the performance of employees.

The trainings are rare not only in the field of expertise, but also in other fields, such as foreign languages, informatics, including management.

Attending training is, to some extent, required by the employer or management, as it is the result of employees' personal desire for greater knowledge.

The respondents have rated the quality of the trainings as satisfactory which indicates that organisations have organised the trainings in the rational way.

The employees show the greatest interest in learning foreign languages and informatics.

The majority of respondents (61,3%) are not willing to pay for trainings whereas considerable number of the respondents (38,7%) is willing to pay for the trainings which will improve their professional work in the condition of growing competition.

Due to the economic crisis the majority of employers train new young workers applying the principle of "learning-by-doing". They rely, in the training process, on company's experts in specific fields of work not on the outsourcing professionals in the field of education.

Employers and managers are almost unanimous in their belief that one of the problems of the young employees, no matter of their educational level, is the lack of working culture. This problem has negative effects on young employees' working performance and leads to great turnover. Thus, it is the problem which should be paid attention to in the redefinition of current educational programmes in municipalities Backa Palanka and Backi Petrovac.

Expectations of employees to their firm support for further education are polarized. Approximately the same number of employees estimates that the company would provide this kind of support (either financially or with regard to their working time), that would not make it. The second movement is associated with the finding that half of the respondents estimated that only individuals are encouraged to further improvement. This suggests that in the current conditions do not exist transparent criteria for training employees in companies.

Generally, the majority of respondents are satisfied or mostly satisfied with the work they perform. The most common sources of satisfaction were: independence at work, solid earnings, good human relations and the possibility of expressing creativity. The sources of dissatisfaction were low salaries, heavy workload and poor working conditions, and all three are associated with changes in the economic system and the more the more frustrating because there is no alternative. In general, forced reasons are dominant both with the commitment of employees to remain in the present job and with those employees who want to change the company.

The acquired results indicate that employers appreciate employees' skills and values that are in direct connection with organisation's economic efficiency. Those skills and values are: the willingness to work over time until the task is finished, to work well and disciplined, to be loyal to the employer and to be expert in ones field of expertise. The employers use those criteria when they reward and promote employees. From the perspective of employees, employers appreciate the desire of their employees to work long hours; performance relating to the quality and quantity, loyalty, expertise.

The majority of the organisations do not have plans of human resource development. The general attitude of both owners and managers is that the most important thing, in the times of the deep economic crisis, is to "survive" in the market. Compared to the strategies that were rated by experts as very desirable in times of crisis, attitudes of employers and managers in our sample requires critical examination, because a significant role in the activities and plans of the company should be given to those who are preparing conditions and enhance capacity time

after the crisis. Among these conditions, the most significant is human resources. From the standpoint of just their development, we believe that in the tested environments expediently take the following measures:

- carry out human resources development strategy for the district level, and the level of enterprises and institutions, since most companies do not have such strategy;
- increased concern for human resources development in the crisis should be an essential element of the social development strategy and prepare for the future development and due to crisis the development of human resources should not be delayed
- encourage the willingness of employees to improve their own capacity in response to increased competition in the labour market. In this sense, companies and local communities and the state needs to invest more in training of employees;
- educational policy makers in turn initiate large-scale exercises in the programs of three-and four vocational schools while providing professional teaching staff for such training;
- the capacity of local providers should be strengthened to provide educational services interested in by employees in municipalities Backa Palanka and Backi Petrovac, and those are the following areas: learning foreign languages, learning computer skills and knowledge and craft skills;
- formulate and prepare the conditions for the implementation of educational programs in the field of culture (learning work discipline, responsibility for specific tasks, the need for life-long learning, developing sensitivity and loyalty responsible for the functioning of the whole organization and socially responsible attitude towards the community and customers); and
- implement educational programs to develop entrepreneurial spirit and entrepreneurial role models within the company (creativity, initiative in introducing new products and services and improvement of existing ones).

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MANAGING RISKS – A MANAGERS CHALLENGE FOR SUCCESSFUL PERFORMANCE

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Abstract

In modern conditions of fast, dynamic, and turbulent changes in national, regional, and broader surroundings, the uncertainty as a basic component that is common for the closer and distant future is becoming larger, and as such it is in direct correlation with risk category. Accepting as an axiom the fact that the risk is an objective category, the challenge with which this paper confronts is to give an overview of the most important risks in business and to propose some possible strategies of risk management. The main goal and motive for their investigation is to find out manners for their appropriate treatment, i.e. to manage with them. Such need wrap oneself from the basic logic that the diagnosis is only the half road to restoration- and after that appropriate therapy is necessary. The substantive part of the analyses takes interest in the therapy i.e. achievable strategies for risk management, because they are inevitable precognition for successful or unsuccessful working.

There are various kinds of risks which may be a result of economic or non economic impact, and from objective or subjective provocative. A great number of those risks may come out during every enterprise operating and its activities and relations with external stakeholders.

This paper also elaborates the connection between the organizational structure and the risk, human resource structure and psychological moments of the manager as a person who is on a certain management position in an enterprise, the need of planning process and decision making in order to reduce the possible risks of every kind.

Key words: *risk, management, strategies, decision making, effective performance, human resource structure*

INTRODUCTION

Different kinds of risks exist in all human activities. Some of them belong to the past, and some new appear. In temporary conditions of fast, dynamic, and turbulent changes in the surrounding, *the uncertainty* as a basic future characteristic is becoming larger. Every kind of uncertainty has a potential to develop some kind of *risk* event. Even though there is no consensus among the authors in theoretical analysis regarding the conceptional determination of the interactions between the concepts of uncertainty and risk, the fact is that they are *inevitably connected*, and starting from the risk as inevitable element of the modern business working in market conditions, the accent of this paper is put on the risks and the possible strategies for risk management.

In everyday conversation the term risk usually refers to a *future unknown event* whose realization can cause any damages or any benefit. But often this term can represent *the cause of the damage* or refer the *damage itself*. The basic determination of the risk category and its further elaboration is additionally complicated having in mind its close association with some similar, but not identical categories such as *danger, threat, chance, hazard, incident and gambling* etc. It must be kept in mind that the inevitable people's daily exposure to risk imposed the practical need for studying of this category.

Analyzing "Risk management", the intention have to be an effort for a chrestomathical view of the most significant components of the items risk, inevitability, chances, types of risks, its measurement and quantification as a core of the compellation of the risk management; techniques, methods, and procedures of *risk management*; organizational forms of conducting the internal control and external supervision of the functioning of different kinds of business entities as well as conclusion of the current situation regarding where is and where should the business be through the dimensions of time and space. But, trying to theoretically divide the basic concepts associated to the risk category, we come to that their conception determination and appropriate classification is absolutely insufficient in staves outrun within the businesses of the economic subjects and the lives of ordinary people. That emerge from the uncertainly of the future content, and the main goal and motive for their investigation is to find out manners for their appropriate treatment, i.e. to manage with different risk types. Such need wrap oneself from the basic logic that *the diagnosis is only the half road to restoration-and after that appropriate therapy is necessary*. The substantive part of the analyses takes interest in the therapy i.e. achievable strategies for risk management, because they are inevitable precognition for successful or unsuccessful working. Thus, addressing the problem of risks the managers of all business entities are faced to is imposing by purely practical needs and tends to application of the theoretical knowledge that occurred.

Accepting as an axiom the fact that the risk exist, the challenge with which all businesses confront is to examine major number of extend risk management theoretical

examinations and practical experiences, and to suggest some new theoretic - logical possible strategies of Risk Management. So, risks are integral part of every person live and every enterprise business, they could not be avoidant and pure logic direct to the fact that manners to live with them have to be found. In that sense, this kind of analyses is intended to be a useful guide for managers of any business activity, because to manage the risks and to select the right strategies for the optimization of costs and effects is a challenge and a precondition for any successful manager. The risk analysis is important from the aspect of every enterprise survival and development, and from the wider social perspective, i.e. from the perspective of all stakeholders who invest their funds in them.

The analysis of risks in the performance of business entities begins from the analysis of the surrounding in which they operate, which is becoming more complicated and more complex. At that, it is necessary to consider the correlation and functional link between the financial and real sector of the economy. Indisputable is the functional connectivity of the *financial system and economic growth and development*, which additionally implies a need for establishing and managing the financial risks. *Disruptions in the financial system produce crises disruptions in the economy as a whole and decelerate the economic growth and development of every business entity and the whole economy.*

RISK IN CONTEMPORARY BUSINESS ENVIRONMENT AND THE NEED OF RISK MANAGEMENT

Having in mind the fact that risk, regardless of the approach in its definition, is an objective category, we are faced with the need of appropriate risk control, management, or handling. Management is undertaken in the direction of information gathering, their processing and selection, drawing conclusions and making decisions in the course of completing, in the best possible correlation, the risk and both positive and negative effects coming from it. However, in literature one can come across methodological inconsistencies concerning the content and scope of the term "risk management".

According to a narrower view the term Risk Management is determined as a *scientific approach to the problem of managing pure risks which people and businesses face*. Still, companies face wide range of risks, some of which are out of the control of the risk management function as such. The term risk and its managing can be observed wider, which actually results from its content – to manage all risks, or by using analytic approach one can start with the term risk – which includes all types of risks; and the term management – which can mean (1) manage, handle; (2) conduct, supervise; (3) make out, succeed; (4) act; or as a process of treating the risks through using cumulative system of information and system of knowledge which penetrates into the procedures answering the question of how to manage and how to achieve the projected goals in an effective and efficient manner. In that sense, risk management includes risk management in the planning process also.

Risk management finds its use in all types of business entities. To understand some kind of business, one has to comprehend the following aspects: the aim for which it is organized; the specific characteristics; the subject of the business; its organization, as well as the problems which the business face, and which need to be resolved successfully. Every business has the goal of satisfying the consumer needs with various products and services through an optimal level of costs, realizing the planned profit and securing effectiveness of the total enterprise activities. The risks that appear in the process and which have to be managed have various sources, i.e. originate from different areas. Some of the areas in which the most significant problems arise are: state regulation of market mechanism; economic policy; the country's legal system; the state of the currency market and the difference in currency exchange rates; the interests, needs and solvency of potential consumers; the quality of the products and services; the specifics of the employees'; the professionalism of the managers to run the business successfully.

The need of risk management has especially multiplied in the last few decades with the increased technical and technological progress, fast development of information systems, development of the innovations, increased competition and great financial disturbances due to the strong competition in the global market.

The need for putting special attention to Risk Management inter alia arises from the statements that:

- Long accepted truth is that *life is constant change*. Everything has a beginning and an end;
- Risk is inevitable, objective category;
- The risk as a phenomenon is *widespread in all areas of human existence*, as an objective category it exists independently of the wishes and needs of the people and regardless of the level of development of the human community;
- Although the concept of risk at first glance is very simple and looks like there is no difficulty about his determination and understanding, it is a *complex concept with a wide content*.
- Addressing issues of risks is relatively under-represented in the theory of Eastern European countries;
- The analysis of financial risks, as well as all kinds of risks in the operation of businesses is a crucial factor for their success;
- Strong connection of the real economy and the financial sector poses an immediate need for quality management of financial institutions from one side and other businesses from another, as an important impulse for a stable economy and economic development;
- Improvement of the financial structures and the integral market of the Eastern European countries is a process in progress, and all business entities are faced with challenges whose solution requires a solid theoretical foundation, knowledge of modern trends in developed economies and their adaptation to the conditions in them.

This paper attempts to mention the basic risks in all enterprises and the forms and ways to manage them. Doing that, the initial basis results from the management in general as a science and specifically from the financial management, and continues in the direction of finding strategies *to optimize the risk-profit relation*. Also Risk Management draws valuable material from other scientific areas interactively related to it, such as mathematics, statistics, law, business finance, accounting, decision theory, ethics etc. and represents a conglomerate of these and other related disciplines. Managing financial risks is accomplished through respecting the principles of diversification and formation of less risky portfolios of securities (as a conglomerate of securities from many entities) that would bring secure profit, at the same ensuring high liquidity of the investor. *It's normally such a form of Risk Management to require top experts who would be experts in their field - financial managers and risk managers, with a certain fund of knowledge and practical experience of trading on the financial markets.*

RISK KINDS

Important moments in Risk Management are the types of risks faced by business entities, while the most significant risks can be categorized according to different criteria. Despite the numerous categories of risks, their analysis is further complicated by interactions of the various risks.

However, the review of basic risk kinds is a necessary requirement for understanding of the reasons that cause them, and the consequences arise from them in direction to find methods and techniques for dealing with those consequences. The point is clearly to minimize losses and to maximize the use that may arise from managing certain risks.

As basic risks types can be emphasized:

1. Operational risks and operating leverage
2. Non-financial risks
3. Financial risks and financial leverage
4. Market risk
 - Interest rate risk
 - Currency risk
5. Credit risk
6. Risk of off-balance sheet activities
7. Inflation risk
8. Country risk - Sovereign Risk

9. Portfolio risk

- Risk of investing in securities
- Corporate Risk

10. Risks of basic economic principles

- Liquidity Risk
- Solvency Risk
- Risk of certainty
- Risk of efficiency and rentability (ROI)

Risk as a probability or possibility of an unfavourable event exists in all areas of life and work and can manifest in several forms. Classified from different aspects for its easier determination and management, it can be observed as: individual and general risk according to the area it refers to i.e. has effect on; static and dynamic risks, the dynamic being a result of changes in the economy – changes in prices, in customer preferences, in income, in technology, in scope of production etc., while static risks appear without changes in the economy as a whole. Those risks find their source in various types of natural hazards or dishonest behavior of individuals or economic entities. One of the most useful risk divisions is to pure and speculative risks. Speculative risks refer to situations in which the probability of loss exists, together with the probability for profit, and with pure risks there is the possibility of making or evading the loss. This division is exceptionally important because usually there is a possibility to get insurance only against the pure risks. The analysis of non-financial and financial risks covers the term risk in the widest context and refers to all situations in which there is exposure to liabilities, i.e. the danger of financial loss, or in a case of non-financial risks – non-financial loss. The country risk is especially important area when analyzing risks and it imposes the need of special attention when planning the work of every business entity and formation of its product. This has especially significant place in the example of developing countries and transition countries, as is the case with R. of Macedonia. Thus, one has to analyze the aspects or blocks of risk factors which contribute to a greater or lesser influx of investments into the country in general. Market risk as a sublimite of the interest risk and currency risk is a particular area of financial risks which all enterprises face more or less. The inflation risk and its dependency on the measures of the state's macroeconomic policy i.e. holders of the economic policy is also in direct correlation with the work of every business entity. A different categorization of risks that needs to be taken into consideration are risks of basic economic rules as a sum of principles, directions and criteria for effective and efficient work of the business entities, above all the principles of liquidity, solvency, security, efficiency and profitability. Portfolio risk of any enterprise should be considered as a sublimite of portfolio formation through investing into securities or through investing in real estate investment projects, where the so called corporative risk appears. Both cases are matter of forming a portfolio as a manner of diversification of risks and decreasing the non-systematic i.e. specific risk, and the separation can be achieved only through the criteria of the types of assets in which one invests.

PROCESS OF RISK MANAGEMENT AND RISK MANAGEMENT STANDARDS

In this area of Risk analyses a specific aspect on which business entities must pay special attention refers to the fact that they must find procedures and methods to detect such risks that threaten them, and risks that have an impact on the entities in which have invested or intend to invest part of their assets, thereby indirectly they take some of those risks. Therefore, risk management must use a combined approach with systematic use of numerous tools for risks identification.

So, Risk Management is a *process* composed of several steps, where 4 are almost universal and can be found in each literature analyzing this issue:

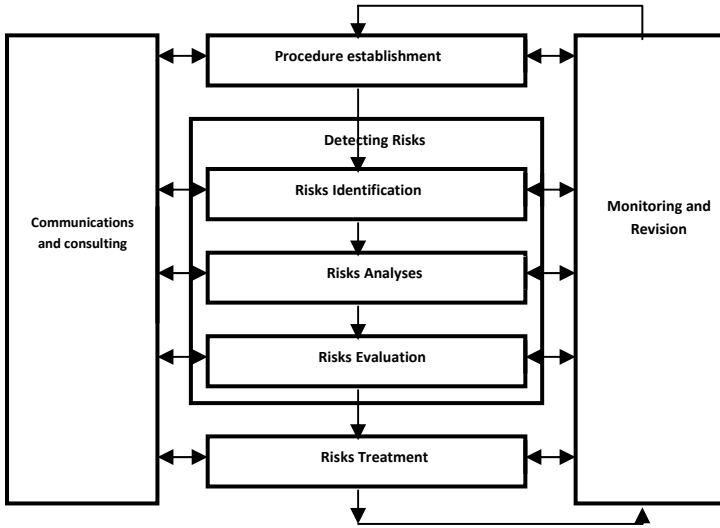
- Risk identification;
- Quantitative and qualitative risk assessment;
- Risk graduation and planning activities to deal with them;
- Monitoring.

The essential part of Risk Management is to determine the basic strategies and techniques for managing risks. *The process of Risk Management* can be elaborated through eight steps as follows:

1. An analysis of the need for business planning activities;
2. Defining the objectives of risk management versus costs;
3. The procedure of identification (detection) risks;
4. Quantification i.e. measurement of risks;
5. The set of alternatives and selection of the best using different methods (SWOT analysis, cost-benefit analysis, PPBS, MBO, Portfolio matrix, etc.);
6. The choice of instruments for risk management;
7. Implementation of risk management through selected instruments;
8. The current control and defining new goals through feed-back connection.

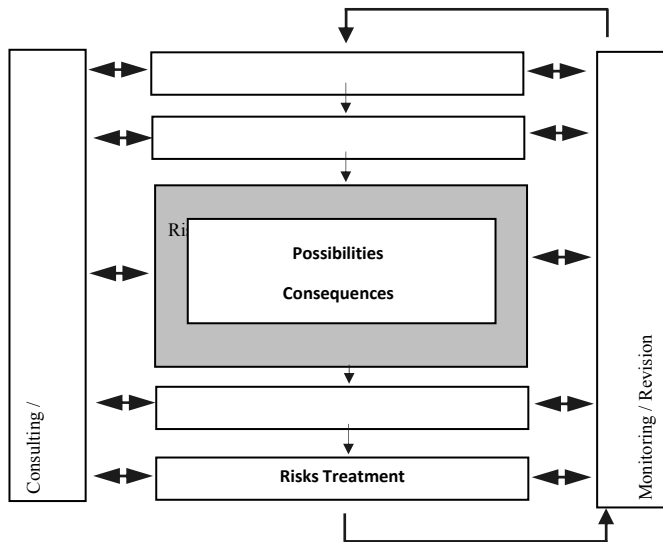
Figures below show two models of the process of Risk Management according to ISO / FDIS 31000:2009 (E), and according to AS / NZS 4360:2004. Both models, despite some modifications that contain basically have the basic steps of the process of Risk Management.

Figure 1. Process of Risk Management*



Source: According to Risk management — Principles and guidelines, ISO/FDIS 31000:2009(E), p.22

Figure 2. Process of Risk Management**



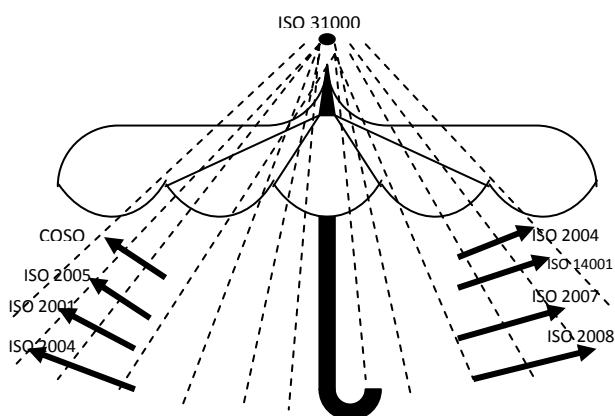
AS/NZS 4360:2004

Source: According to Australian Capital Territory Insurance Authority, Guide to risk management, February, 2004, p.4

Risk management process is based on certain standards in order to its harmonization. Best known standard which is used for Risk Management still is "AS/NZS 4360:2004 – Standard for Risk Management" which defines the process of Risk Management. This Australian - New Zealand standard that is widely accepted by organizations of all forms and sizes define risk as an *unfavorable event, hazard or unfavorable outcome*. In Europe, the first standards for Risk Management are associated with the document ISO "Guide 73" from 2002. Latest standard ISO 31000 is the elaboration of the previously mentioned standard, but the working group responsible for developing the ISO 31000 during setting ISO base, largely uses the standard AS/NZS 4360:2004. Therefore, ISO 31000 is somehow replacing the standard AS/ NZS4360:2004. "ISO/FDIS 31000 Risk management - Principles and guidelines" is officially released as a standard on 13.10.2009, and provides a standard for the application of Risk Management. Revised and harmonized ISO/IEC Guide 73 was published at the same time. Before the appearance of new versions of AS/NZS 4360:2004, as an important editing package for editing and functioning of the Risk Management system was considered the so-called COSO - Framework (*Committee Organizations of the Treadway Commission*) from 1992 and supplemented in 1994.

The fact that many organizations and business entities still have not a formal Risk Management system and perform activities that are reactive, enforce the need of emphasizing the importance of developing and implementing of an *integrated system of Management and of Risk Management* in its frames. In that sense, the standard ISO 31000 is an important integrating element of the other management models. According the ISO standards, terms "risk management" and "managing risk" are used, where "risk management" refers to the content (principles, framework and processes) to effectively manage the risks, while "managing risk" refers to implementation of that content of management with specific risks.

Figure 3. Umbrella of the Integrated Management system



An important point in managing the risks is that they should be evaluated, i.e. quantitatively expressed. In the most important methods to measure different types of risk are:

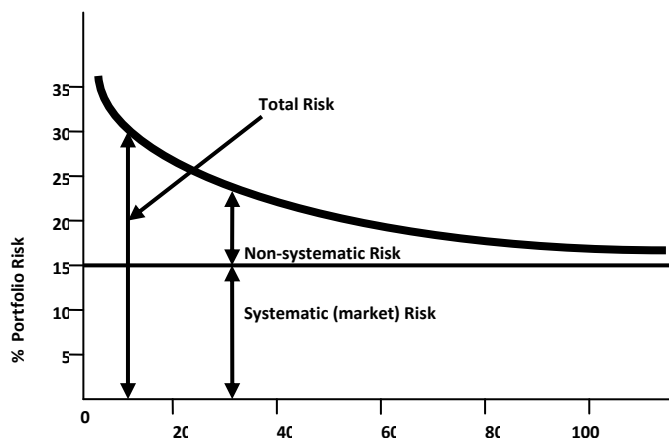
- Risk metrics model for measuring market risk,
- ALM concept for measuring interest rate risk (through GAP analysis - repricing model), maturity model, duration model
- Methods for measuring currency risk,
- Methods for measuring credit risk, default risk measurement, and problem of loans portfolio and risks concentration
- Measuring the risks of off-balance sheet activities,
- Measuring operational Risks,
- Models for assessing country risk.

Measuring the risks of the enterprises of every kind is not a goal to itself, but the measured size is necessary to put in relation with the yield, i.e. to optimize the *risk-return ratio*. Therefore it is necessary first to calculate the rates of return and then to put them in relation to the potential risk. The possibility of failure of the expected yield which can vary in different forms of investment determines the size of the risk and for its measurement there are a number of mathematical, statistical measures and measurement procedures.

The most important among them are: range measuring; standard deviation; and coefficient of variance. A special point about risk measurement refers to the measurement of portfolio risk and calculating β (beta) coefficient. Measuring the risk of the portfolio must be supplemented by the application of the *principle of portfolio diversification* using which the risk can be considered as systematic (non-diversificated) and unsystematic (diversificated) risk.

The figure shows the impact of the change in the number of securities in the portfolio on the risk of the whole portfolio.

Figure 4. Portfolio diversification



There are a number of alternative rates, which can be used for calculation of the returns on investments, such as (total yield for the all time of investments in shares (*HPR – Holding Period Return*, *APR - Annual Percentage Rate*, *EAR – Effective Annual Rate* etc.), and the yield of the entire portfolio, as well as relationships of so calculated yields with the potential risks.

In order to define possible strategies for Risk Management and to choose the optimal one in particular circumstances, must be taken into consideration:

- Staff structure and psychological profile of risk managers,
- Basic rules for Risk Management, and
- Basic forms of Risk Management

ORGANIZATIONAL STRUCTURE AND RISK MANAGEMENT

One of the factors determining the risk management strategies is the organizational structure, personnel structure and the psychological characteristics of the manager as a person on the certain management level. On these factors depends the application of aggressive or defensive strategy to the potential risks, and these are supplemented by other qualitative aspects of risk management. In the process of Risk Management and determining, acceptance and implementation of the various strategies for dealing with risks, the important point is *setting the organizational structure* of the business entity and relations between management and non-managerial structures in it.

Organizing is a managerial function in which managers perform effectively combining of:

- Material
- Human
- Financial and
- Information Resources

for the efficient realization of the set goals, accomplished its implication also upon the Risk Management with pure and Risk Management with speculative risks they are facing with.

The process of organizing can be analyzed in many ways, and *one procedure of setting the organizational structure* is through the following five stages:

1. Reflecting the plans and objectives;
2. Determination of the main tasks;
3. Separation of the main tasks to sub-tasks;
4. Allocation of resources and delegating sub-tasks;
5. Evaluation of the results of the implemented organization strategy.

Within so established organizational structure that is characterized by a certain degree of *complexity*, *formalization* and *centralization*, the variety of risks typically can be treated at three levels.

- On the highest managerial level *The risk policy* is created, in accordance with the overall enterprise strategy.
- The second level is called *Risk Management* which is a process of active risk management within the policy and the limit set by the Board of Directors.
- Third level is *Risk Control* – and it is necessary to be realized by an independent service within the enterprise which must be independent and separate from the operating management.

Moreover, in the organization of Risk Management very important is the *principle of separation*, which means that decision making must be separated from the sector which controls undertaken risks.

BASIC RISK MANAGEMENT STRATEGIES

Human resources are *the decisive factor* for the success of every kind business entity. Logically managers pay great attention to the staff management in order to create an appropriate staff structure and to lead a personnel policy aimed at achieving strategic goals and directions for the enterprise development. Therefore, it is necessary *staff planning*, as well as *training*, *development* and *staff improvement policy*, in direction of their acceptance and learning of the modern trends in the business they perform. In this way conceptualized business entity staff structure makes so called subjective factor, i.e. *the philosophy of the enterprise's management*.

Basically there can be *two basic philosophies* of the enterprise risk management:

- Aggressive philosophy and
- Philosophy of risk aversion.

The aggressive philosophy and aggressive type of managers are largely oriented to liabilities management and acquiring liquid assets by using credits on financial markets. The aggressive strategy and its nature largely depends on the *nature of the personality* of the manager who selects and implements that strategy, and it suits to *progressive, young, ambitious, creative, entrepreneurial manager spirit* who accepts hazard ventures, but normally with the necessary dose of sanity and measurement of risks that may occur, as well as the possibilities for its coverage. Such an aggressive strategy means *intentionally entering into risky ventures*, when it is expected favorable movements of the market performances and the opportunity to increase earnings.

The managers showing **risk aversion** are mainly oriented towards providing liquidity through *asset management*, or through the use of secondary reserves in the assets of the institution, why they are called assets managers. This type of managers increasingly accept situations in which there is *not a great risk*, and such transactions mean less risk of loss, but smaller yields too. In their specific actions managers with risk aversion tend to establish:

- less interest exposure,
- lower FX (foreign exchange) exposure,
- *coverage risk ventures by hedging*, other forward transactions, and
- using of derivative financial instruments (futures, options, warrants, etc.).

Behind numerous *quantitative procedures* in determining the risk management objectives, identifying existing risks, their measurement, quantification and monitoring, procedures and methods of planning and selection of the best tools for managing such risks, management control etc., it is necessity **to combine all these procedures and the application of certain qualitative methods and procedures**. The models that are based on mathematical-statistical risks quantification by a probability distribution for losses on risk positions exercise intention of enforcing them, and found wide application in large and sophisticated financial institutions, but they always *do not give enough good results*. Having in mind the *uncertainty* of the future and the possibility of the occurrence of *unforeseen situations*, there is always a probability of occurrence of extra unforeseen events, which if occur they will disable further prediction and quantification by extrapolation of past trends. Due to the existence of the possibility of such events, it is considered that *the most effective* risk management strategy is a **combination of qualitative and quantitative approach**. This means that successful risk managers must find ways to harmonize the mathematical modeling with market experience. In this context Risk Management models based on quantitative procedures are complemented with qualitative methods such as *stress tests* that large business entities prepare for the event of any catastrophic disruptions. It is a *high stress scenario* that carries very small possibility to occur, but large and sophisticated subjects often think that they have to be prepared for such situations.

Before definitively state *the basic Risk Management strategies*, it must be mentioned the basic forms of Risk Management:

1. risk management by avoidance;
2. risk management by retention;
3. risk management by transferring (hedging);
4. risk management by sharing (diversification); and
5. risk management by reducing.

One of the essential goals of the analyze of risks is to detect existing theoretical -application risk management strategies, as well as to identify potentially possible combinations thereof for use in the certain business entity. In this sense, as the most important among them, can be list:

- Strategy of internal rating systems;
- Strategy of protective clauses;
- Strategy of limits (institutional or custom);
- Diversification strategy (portfolio diversification and products diversification – diversification of the products range);
- Insurance and reinsurance strategy (as well as some other forms of guarantees);
- Liquidity and liabilities structure strategy;
- Strategy of capital adequacy;
- Securitisation strategy;
- Hedging - a strategy of hedging risks with financial derivatives (forward contracts, futures, options contracts, swap agreements); and
- Strategy of prices variability (commodities prices, services prices, interest rates and premium rates).

There are many mathematical and graphical methods for the application of the certain proposed strategies, which exceed the space opportunities for their presentation here. All of them, can be a subject of particular analyze.

CONCLUSION

People are inevitably placed in circumstances of risk and uncertainty. Uncertainty as a prerequisite for the risk existence defines risk as a future uncertain event that includes the possibility of matching uncertain consequences in the form of damages or benefits. Uncertainty as opposed to the concept of certainty means the absence of a conviction that the events will have a certain ongoing. Its existence is determined by: (1) lack of information about the environment and changes therein; and (2) any quantum of information and their processing techniques are not able to overcome this phenomenon, considering the fact that life and everything in it is relatively, certainly is just what has gone and happened, and "the safest" plans are only "forecasts" based on available data for the past, and the dangers and challenges lurking in every next moment, moments that followed are the future from the present perspective of thinking, and the future is another term for uncertainty. In contrast to the uncertainty that exists in terms of lack of information about the environment, the risk exists in conditions of full information, i.e. when objectively can be determining the probability of occurrence of an unfavorable outcome. Regardless of whether or not the risk is known, it does not change the fact of its existence. Whenever there is a possibility of loss there is a risk, whether the person exposed to loss is conscious or not about that risk. The Risk management is conducted in order to gather information, their processing and selection, drawing conclusions and making decisions in direction of forming the best ratio of the existing risk and the positive and negative effects arising from it. So, the risks are an integral part of the life of each individual and an element in the operation of any enterprise, so the pure logic suggests that there is a need *to find ways to live with the existence of various risks*. That is a subject of the Risk Management, to examine a number of existing theoretical research and practical experiences in risk management, as well as to propose some theoretically-logical possible strategies for dealing with various risk kinds in order to achieve successful performance.

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MORE FLEXIBLE APPROACH TO SMEs FINANCING AND JOB CREATION

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Abstract

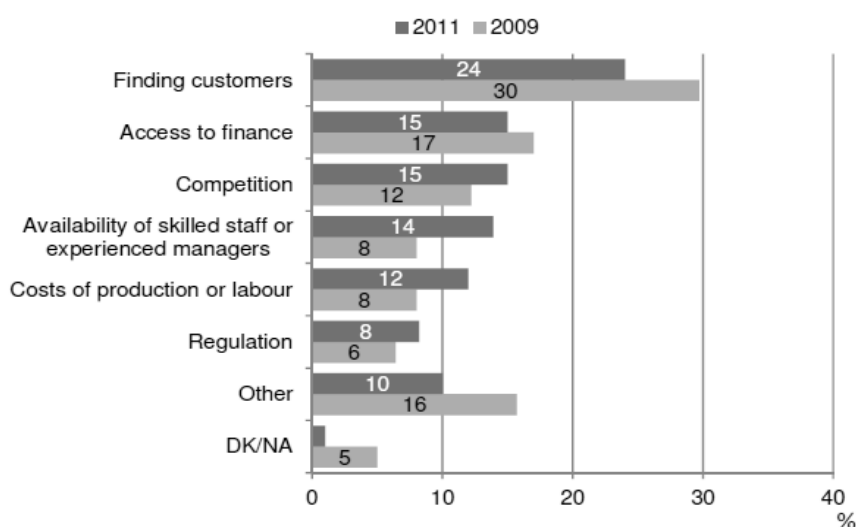
Small and medium-sized enterprises (SMEs) are important engines of growth, jobs and social cohesion. However, the creation, survival and growth of SMEs is often hampered by access to finance. Access to finance represents one of the most significant challenges for entrepreneurs and for the creation, survival and growth of small businesses. As part of government strategic goal of building a climate for investment, job creation, and sustainable growth has to include promotion of improving business environments as a key strategy for development. The main objective of the research in this Paper is the constant constrained access of SMEs to adequate resources of financing their development and new jobs creation. In that purpose is proposed a new approach to securities opportunities, their characteristics and possible value for SMEs more modern and flexible financing.

Keywords: *SME Financing, New Job Creation, Securitization*

INTRODUCTION

The most cited pressing problems currently facing SMEs after finding customers, are access to finance and competition. According to the current EU analysis (ECB Access to Finance Survey), 15% of EU SMEs citing finance as an important issue for their development and now job creation. How pressing access to finance is for SMEs remains constant even after accounting for the following variables: type of firm, age, size, sector, ownership or level of innovation. In the Figure 1. This problem is more detailed illustrated.

Figure 1. The most pressing problems SMEs are facing in EU-27, %



Source: EC and ECB, *SMEs' Access to Finance Survey 2011 Analytical Report* (7 December 2011).

In terms of sources of financing, there appears to be a sizeable downward shift in SMEs using internal funds (i.e. retained earnings or sale of assets) to finance their activities. In 2011, 24% of EU SMEs reported using internal funds. There are potentially two contrasting explanations for using internal funds less than earlier:

- over the two years since 2009 SMEs have found it increasingly challenging to generate earnings – reflecting the wider macroeconomic conditions ('push' factor); and
- SMEs have become better or more innovative at accessing external sources of finance. This is indicated by the fact that, although there has been a continuing tightening of credit standards since 2009, use of external finance by SMEs has actually increased over this period (e.g. debt finance has increased by 14%).

SMEs were more likely to make use of external financing than large-sized firms (LSEs). The most common external sources of finance over the period covered by the latest survey were: bank overdrafts (40%); leasing/ hire purchase/ factoring (36%); trade credit (32%) and bank loans (30%). Applications for banks loans were most common in France (31%) and Slovenia (30%). In contrast Germany, Italy and Poland experienced major declines in the proportion of firms accessing banks loans since 2009. Debt finance was the most commonly used source of finance with 75% of EU SMEs using at least one source of debt finance in the previous six months. Of external finance applicants, two thirds got everything they requested.

Half of SMEs received a bank loan in the last two years - an increase from 46% in 2009. In contrast to debt finance, equity financing was accessed by less than one in ten SMEs (7%) over the previous six months in 2011 and was more used by LSEs (11%) and SMEs owned by venture capital firms (14%). Gazelles (firms less than five years old which have experienced growth at 20% per annum) also more often cited use of equity finance (12%) compared to SMEs overall – as may be expected. Overreliance on debt finance relative to equity risk capital is a potential issue for the way firms grow over time and contribute to economic development. Not only do debt finance firms need to devote resource to servicing of the debt (thus potentially accentuating SMEs cash-flow problems) but also non-venture backed firms tend to grow at a slower rate and be less innovative than those which are backed by equity finance.

Venture backed firms achieve Initial Public Offering (IPO) or trade sale much faster (time from initial foundation to IPO can be nearly halved). In 2011, equity finance was most used in Denmark (46%), Lithuania (38%), Sweden (31%) and Turkey (29%) while at the opposite extreme, less than 1% of SMEs in Cyprus, Croatia and Malta used equity finance. In terms of outlook, the proportion of EU managers who expected their firm's turnover to grow over the next two to three years increased from 46% in 2009 to 56% in 2011. Specifically on future growth, younger firms tended to be more optimistic compared to established firms with 71% of managers from companies that have been active for less than two years expecting growth compared to 54% of those active for more than 10 years (*Lerner, J. 2009*).

When assessing the importance of different mechanisms influencing future financing, SMEs rated highly making existing public measures easier to obtain (for example through the reduction of administrative burdens). Overall, common drivers underlying trends observed in accessing finance among SMEs include the intensification of the sovereign debt crisis across the euro area, regulatory tightening and the economic circumstances of individual euro members, with smaller firms generally being more adversely affected as a result. However, access to external funding appears to have improved and is a problem for fewer SMEs.

To facilitate small businesses growth and development, the EU has set out a comprehensive system of financial policies and instruments to support SMEs with the most appropriate sources and types of financing at each stage of their life.

LITERATURE OVERVIEW

Small and Medium Size Enterprises (SME) are the most common employers across the world. In 48 out of 76 nations covered in Ayyagari, Beck and Demirgüç-Kunt (2007), SMEs employed more than 50% of the formal workforce.

In addition, Ayyagari, Demirgüç-Kunt and Vojislav (2011) find that small firms and mature firms have the highest levels of total employment and small firms and young firms have the highest rates of job creation. SMEs are a fundamental part of a dynamic and healthy economy.

Consequently, it is important to understand the different factors that can help or hinder SME creation and development. Recent research around the developing world provides evidence that SMEs face greater financing obstacles than large firms (Beck, Demirgüç-Kunt & Maksimovic 2005; Beck & Demirgüç-Kunt 2006; and Beck, Demirgüç-Kunt, Laeven Maksimovic 2006). Ayyagari, Demirgüç-Kunt and Vojislav (2006) show that finance, crime, and political instability directly affect the rate of growth of firms, with finance being the most robust variable affecting firms' growth rate.

Furthermore, Beck, Demirgüç-Kunt and Maksimovic (2008) find that small firms use less external finance, especially bank finance.

This result, coupled with the evidence found by Kumar, Rajan and Zingales (1999) that financial constraints limit the average firm size, explains the paramount importance of investigating the usage of finance by SMEs.

SOURCES OF SMEs FINANCING

We find that SMEs are more likely to be credit constrained than large firms. In fact, the probability of being credit constrained decreases with firm size. Firm age does not relate to the credit constrained status. Once we control for size, age of the firm has no explanatory power with regards to the probability of being credit constrained. When we use a measure based on the perception of access to credit as an obstacle, we find that both size and age are negatively related with the increasing degree of obstacle access to credit represents.

Our measure of being credit constrained based on hard data has a very high explanatory power over the perception measure. That is, firms that are credit constrained in reality are more likely to report access to finance as an increasing obstacle. This is an important check since several of the papers written on access to finance using Enterprise Surveys data focus on the perception measure.

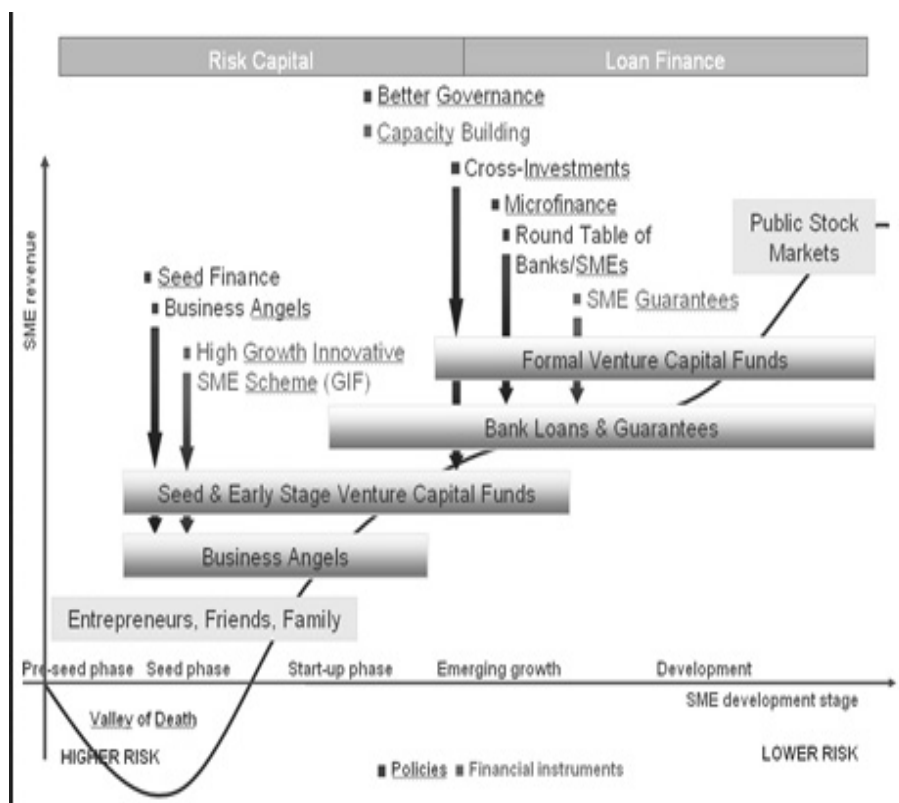
Regarding the sources of finance, the data shows that SMEs rely more on trade credit and informal sources and less on equity and formal debt than large firms. This finding applies both to financing of investment and working capital although equity is not one of the explicitly provided options for financing working capital in the survey.

In addition to describing who is credit constrained and how firms finance themselves we also analyze the link between access to credit and firm performance and the association between access to credit -at the firm level- and equivalent macro variables. First, we find that firms with higher performance, as measured by labor productivity, are less likely to be credit constrained, which we take as indication of well-functioning financial markets.

A closer examination of this result shows that this relationship is weaker for small firms than for medium and large firms. Second, we find that countries with higher level of private credit to GDP ratios have on average lower percentages of firms that are credit constrained. These results are based on correlations and should not be interpreted as causal.

The European Investment Bank and the European Investment Fund also have lending and investment programmes that can benefit small businesses. These programmes can be accessed via financial institutions in the Member States. In next Figure is illustrated the availability of sources of financing SMEs in Europe.

Figure 2: The available sources for SMEs financing in Europe



Source: EUOECDF Publishes Study on Financing SMEs and Entrepreneurs, 2012

Some of the main emerging trends are identified as follows:

- Lending to SMEs continued to decline during the recovery period in Finland, Portugal, Slovenia, United Kingdom, United States and New Zealand. In contrast, positive (though slowing) SME loan growth was the trend in France, Italy, Switzerland, Canada and Thailand.
- Loan authorization rates for SMEs declined considerably in many countries primarily due to tighter credit standards and negative prospects as a result of the economic crisis. SME loan share of total business loans (i.e. including larger firms) for 2007-2010 varied across countries between 12% and 30%, below the respective contribution by SMEs to national income and employment.
- During the recovery, SME loan shares declined further in Finland. In Denmark and the United States the SME loan shares did not return to pre-crisis levels. However, in 2010 there were a number of countries which were “outliers” with the SME loan share being higher (or equal to) than the average of 50%. These countries included Hungary, Slovenia, Portugal and Korea.
- The ECB Access to Finance Surveys (2009-2010) and the ECB Bank Lending Survey (2010) are generally consistent with the findings of the OECD report particularly on credit conditions and slowdown in lending in early 2010.
- There was a sharp decline in venture capital investment in SMEs during 2008-2009 and investment has not recovered to 2007 levels.

There can be distinguished some major groups of SMEs according to the credit constrain:

1. **Fully Credit Constrained (FCC)** includes the firms that meet all the following conditions simultaneously: if they use external sources of finance for both working capital and investments during the previous fiscal year; if they have Applied for a loan during the previous fiscal year; didn't have a loan outstanding which was disbursed during the last fiscal year or later. In summary, fully credit constrained firms have no external loans because loan applications were rejected or the firm did not even bother to apply even though they needed additional capital.
2. **Partially Credit Constrained (PCC)** could include firms that meet the following conditions:
 - Used external sources of finance for working capital and/or investments during the previous fiscal year and/or have a loan outstanding at the time of the survey, and either;
 - Did not apply for a loan during the previous fiscal year and the reason for not applying for a loan was other than having enough capital for the firm's needs;
 - Applied for a loan but was rejected;

However, firms in this group manage to find some other forms of external finance and, consequentially, they are only partially credit constrained.

3. Credit Constrained (MCC) could include firms that:

- Used external sources of finance for working capital and/or investments during the previous fiscal year and/or have a loan outstanding at the time of the survey;
- Applied for a loan during the previous fiscal year;

As firms in this group have had access to external finance and there is evidence of them having bank finance, they are classified under the possibility of maybe being credit constrained as it is impossible to ascertain whether they were partially rationed on the terms and conditions of their external finance.

4. **Non Credit Constrained (NCC) could** include the firms that fit into the following description:

- Did not apply for a loan during the previous fiscal year;
- The reason for not applying for a loan was having enough capital for the firm's needs.

This fourth group can be further divided according to usage of external finance, since this group includes both firms that use external finance and the ones that do not. The important characteristic of this group is that, independently of its current level of external finance, these firms are happy with their current financing structure for both working capital and investments.

The research shows the relative use of each of these sources for all SMEs from Serbian surrounding countries which used some external finance to purchase fixed assets, i.e. excluding firms that did not use external finance at all.

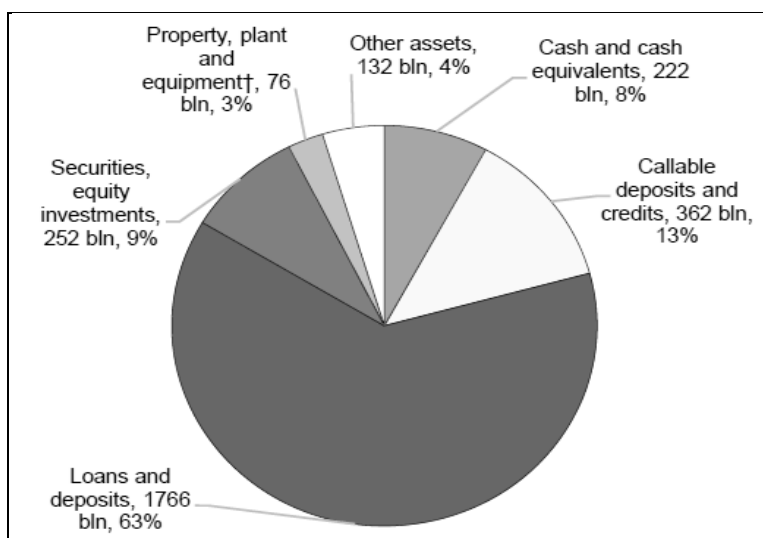
Comparing across regions, it is interesting that in all regions SME's use of equity plus formal debt is relatively smaller than for large firms. SME's consistently tend to rely more on trade credit and informal sources.

Table 1. Credit constraint status - SMEs percentages by country

	Year	NCC noncredit constrained	MCC maybe credit constrained	PCC partially credit constrained	FCC fully credit constrained
Albania	2007	54.5%	21.8%	5.7%	18.0%
Bosnia&Herzegovina	2009	26.4%	45.8%	20.8%	7.0%
Bulgaria	2007	50.9%	18.0%	17.6%	13.5%
Croatia	2007	39.6%	40.6%	14.1%	5.8%
Hungary	2009	59.4%	23.7%	13.7%	3.1%
Macedonia, FYR	2009	38.4%	27.4%	29.9%	4.3%
Montenegro	2009	25.6%	32.3%	14.8%	27.2%
Romania	2009	44.2%	31.2%	18.6%	6.0%
Serbia	2009	24.6%	46.3%	24.3%	4.8%
Slovenia	2009	38.7%	52.1%	9.2%	0.0%

Source: Enterprise Surveys Database

Figure 3: Total assets composition, Serbia 2012



Source: National Bank of Serbia

LINKING ILLIQUID DEBT FINANCIAL INSTRUMENTS TO LIQUID AND MARKETABLE ONES BENEFITING SMEs FINANCE

Converting illiquid debt financial instruments to liquid and marketable ones, is the essence of securitization and a form of structural financing. Common to all types of structured finance transactions is to structure transactions so the risk of collateral could be modified or redistributed to different classes of investors on the basis of such structure. Securitization means formation of the pool of assets and emission of securities by a special purpose company. Final result of securitization is that a corporation can obtain funds by selling assets rather than loans. Asset securitization process transforms a pool of assets in one or more securities secured by assets. Securitization is different from the traditional ways of financing. The essence of securitization is primarily monetizing of financial assets. (Frank J. Fabozzi et.al., 2004)

In securitization SMEs as investor's risk is linked to assets which provide securities in which he invests. The primary source for the payment of interest and repayment of principal of ABS are not all issuers' revenues, but certain cash flows which are generated by the assets. Credit analysis of investors therefore focuses on the defined pool of assets.

From the perspective of credit, pool of assets that is securitized is often increased by internal structural measures or through help of outside parties.

Liquidity funds can expand credit capacity in some way, but they usually represent a mechanism for channeling cash flows of transactions providing a regular flow of payments to investors, especially in the situation when payment flows on the basis of securitized assets are exposed to risk and are vulnerable. (*Thomas, W.A, 1989.*)

Securitization has spread beyond the typical asset classes to less known ones, including claims arising from insurance, obligations of shippers towards railways, obligations of buyers towards producers of natural gas and future rights to royalties among others. The concept of securitization can be applied to practically any assets whose relative value can be determined, or which generate a relatively predictable stream of future income. There is a difference of securitization compared to other forms of financing SMEs, by debt or equity, in which returns to investors generally depend on possibilities of payment of overdue claims or potential for making profit by the current business of a company.

The reasons SMEs would see the securitization useful could be first of all further:

- **Reduction in funding costs.** In order to understand the possibility of reducing the costs of financing by issuing securities secured by assets rather than issuing corporate bonds, let's assume that SME A (for example) has a single B credit rating. This rating is called a speculative-grade rating, and if Company A issued corporate bonds, these bonds would be high yield bonds or high-risk bonds (junk bonds). If the financial management of SME A wants to raise 100 million RSD by issuing corporate bonds, financing costs would be almost equal to the yield of treasury bills plus range for issuers of single-B rating in the sector in which SME A operates (It would be the same in the case of raising funds on the basis of commercial papers). Let's suppose that instead of that a financial manager of SME A uses sales contracts with payments in installments in the amount of 100 million dinars, as collateral for the bond issue. Although this is a type of secured lending, credit rating would likely be the same as in the case of the issuance of corporate bonds because, in the case of default of any maturing debt obligations of SME A, regulations relating to the bankruptcy could affect the right of a secured creditor to require payment of interest on the basis of securities so he could liquidate bonds.

However, let's suppose that SME A may establish another legal entity and sell loans to that entity. This entity is a special purpose company. If the sale of loans is done properly, that is, the claim of loan is transferred, AT (a new company) becomes the legal owner of the claim, not SME A. This means that if there is bankruptcy of SME A, its creditors cannot recover loans sold to special purpose company since their legal owner is AT.

AT sells bonds secured by loans (i.e. securities secured by assets), rating agencies assess credit risks associated with the payment of the claims on the basis of loans regardless of the credit rating of SMEy A. That is, the credit rating of the originator / seller (SME A) is of no influence. Credit rating which will be assigned to classes of bonds issued by AT will get any credit rating that issuer wants. It may seem strange that AT issuer may obtain any credit rating, which he likes, but that is the way it is.

During the assessment of classes of bonds, rating agencies will point out to a bond issuer how the transaction must be structured in order to obtain a certain rating for each of the classes of bonds in the structure. Specifically, the issuer will be told how big the increase of the credit rating is needed for the structure in order to obtain a certain credit rating for each class of bonds (*Hopper W. K, 1989*).

Raising credit rating implies that there is a source of capital that can be used to absorb losses that pool of assets will suffer. There are different forms of raising credit rating. The bottom line is that rating agencies will assess possible losses of collateral and determine how big increase of credit rating is needed for classes of bonds in the proposed structure in order to achieve the target rating of the issuer. Therefore, SME A, for which we assume to have a single-B rating, can receive funding based on loans to customers as collateral in order to achieve better credit rating of one or more classes of bonds issued by their own credit rating. In fact, with sufficient increase of credit rating, classes of bonds secured by collateral can get the highest credit rating - triple-A. A special purpose company has a key role in corporate issue of bonds through securitization with a higher credit rating than the rating of the corporation itself.

It has a key role because a special purpose company legally separates the assets which are used as collateral for the securitization of corporation which needs funds (of an originator / seller), by which it isolates transaction from the credit risk of the initiator. Only special purpose company is structured as an entity on which the bankruptcy has no effect. Thus we are left with the risk of losses of assets, or credit risk, which may be reduced by the appropriate raising of credit rating until target rating is reached. Despite factoring in the cost of raising the credit rating and other legal and accounting expenses related to securitization, companies that need capital consider securitization cheaper than the issue of corporate bonds.

Although the difference between legal benefits that an SME investor into a securitization has compared with investors into secured debt obligations of the issuer is explained, the question is why corporations cannot provide this kind of legal advantage without selling assets to a special purpose company.

The reason is that the prevailing legal structure does not allow isolation of certain assets where there are no claims of other creditors of a corporation if it gets into financial difficulties. Therefore, securitization is essentially a form of "legal" arbitration.

- ***Diversifying funding sources.*** A company, which needs to raise funds through securitization, has to position itself as an issuer at the market of securities secured by assets. For this, among other things, it is required that the issuer often issues securities for the market so that his name becomes recognizable on the market of securities secured by assets and to create a secondary market (aftermarket) for the trading of those securities that is reasonably liquid. When the issuer positions himself on the market, then it can monitor corporate bond market and market of securities secured by assets in order to decide on the best funding source by comparing the total cost of funds on the two markets, as well as the immeasurable benefits in connection with securitization.
- ***Corporate risk management.*** Credit risk and interest rate risk of assets which is securitized pose no risk of originator / seller. Therefore, securitization can be used as a tool for corporate risk management. For example, let's consider the interest rate risk which the bank is exposed to. A bank that grants long-term residential mortgage loans with a fixed rate (i.e. fixed assets) and finances these loans by the issuance of short-term loans with variable interest rate bills (short term liabilities) is exposed to a high risk of interest rates because of differences between the duration of assets (residential mortgage loans) and liabilities (short-term bills with a variable rate).

The bank eliminates dissension of interest rate by the sale of residential mortgage loans and capture of the range of loans in advance. In addition, credit risk is eliminated only if the originator / seller has only a limited interest in securitized structure. Risk management based on securitization does not exist only in the case of banks.

- ***Possibility of releasing the required capital at financial entities which must meet the capital requirements based on risk.*** In most securitizations, assets and liabilities are transferred from the balance sheet; thereby balance sheet leverage of initiator is reduced. Off-balance sheet financing can increase the return on equity of the person who enters into securitization and other key financial ratios. However, many analysts of corporate equity and debt also take into account leverage from financial statements and the one which is being managed (i.e. from financial statements, plus off-balance sheet) in their credit analysis of companies which use securitization.
- ***Possibility of off-balance financing, creating income on the basis of service fees.*** A basic question is whether the special purpose company should be consolidated with the corporation or not. Before 2003, GAAP (Generally Accepted Accounting Principles) for consolidation wanted corporations to be consolidated if it has a "financial interest of control". The definition of financial interest of was that the company has majority voting rights. Therefore, the rules of GAAP prior to 2003 determined that a corporation can be a user of the activities of the special purpose company with priority, but if there is no interest of majority-voting rights, consolidation is not required.

It was pointed out that securitization enables creation of securities on the bases of the sum of assets that are most attractive for a number of different types of investors. It is hard to understand if you do not understand the process structuring transactions at the micro level (*Frank J. Fabozzi, 2008*).

In the case of structuring, using residential mortgage loans as representative assets, which helps to classify securitization in terms of the loans of the borrower. The market can be roughly divided into primary borrowers and subprime borrowers. Primary borrowers are those with high credit quality because in the past they had good jobs and good credit history, sufficient income to repay the loan without jeopardizing their own financial standing and enough equity in the asset base.

Loans which are approved to such individuals are roughly classified into primary loans, and in the past there was a low incidence of delays and defaults in such loans. In contrast to that, loans to borrowers of lower credit quality for which there is a greater probability that there will be much greater delays are classified into subprime loans, and these borrowers are called subprime borrowers. Approval of the subprime loans relies on nontraditional measures of credit risk of a borrower, as these borrowers often have lower incomes, fewer assets and poor credit history.

After the issuance, these loans must be serviced by special departments whose task is to monitor the repayment of subprime borrowers. If there is a repayment delay of a subprime borrower, servicers immediately take measures or help the borrower to fulfill the obligations or by alleviate possible losses that occur because of failure in meeting loan obligations.

It is necessary to distinguish transactions related to subprime and primary borrowers because it affects the needed raise of credit rating. High credit quality of loans in primary sector fairly simplifies raise of credit rating.

Rising of credit rating at agency transactions is achieved through the mechanism of guarantees issued by the agency which broadcasts the transaction. This guarantee is paid by a sponsor of transaction over the fee for warranty. In the case of other primary loan securitization, mechanism of credit rating rising used is subordinated structure in which there are classes of bonds that have different priorities in relation to cash flows and write-offs of losses.

The structures are flexible in relation to creating the most efficient raising of credit rating at primary transactions, determining the required raising of credit rating is often conditioned by rating agencies, while subordinated structures are relatively simple. The fulfillment of transactions is mostly affected by how the older bonds are structured.

Maximization of income at the securitization of assets can be achieved by structuring of the cash flow in two ways. Firstly, forming of the cash flow collaterals and their foreseeing so that they create classes of bonds which better respond to a particular risk of interest rate (i.e. efficient duration, convex and duration of key rate) and the profiles of income or the point of view of different investors.

This type of structuring is usually characteristic for agency transactions and older classes of bonds at transactions with primary credits. The one who does the structuring makes efforts to make the combination of classes of bonds which maximizes the incomes that are gained when all the classes of bonds are sold.

The second way of income maximization at securitization of assets is when investment banker tries to create more economical structures, especially for non-agency transactions in which the cost of raising the credit rating is included in the transaction through the mechanisms of subordination. Generally, in such cases, the initiator of securitization will achieve better fulfillment by creating the highest possible amount of old bonds while at the same time he gets the highest possible income for the new classes of bonds (i.e. subordinated classes of bonds and interests).

As it is going to be explained, the new classes of bonds can often be complex, especially at transactions with HoV security assets which use subordination and pre-collateralization as mechanisms for raising the credit rating.

Securitization of the entire business was developed in England in mid 1990s when the cash flow of the old people's home was securitized. That led to fury for this kind of transactions in different fields such as pubs, hospitals, entertainment industry and theme parks, airports, theatres and ferry services.

The roots of securitization of the entire business (which is also known as *corporative securitization*, *securitization of corporative entity*, *securitization of operative incomes*, or *hybrid finances*), practically originate from *taking over companies through leveraged buyout, LBO*, and the essence of securitization of the entire business is securitization of LBO. Securitization of the entire business captures the residual value of business (i.e. estimation of business value) and creates HoV which represents this residual value, (Vukosavljević, D. 2012).

Objectively there are not many differences between the regularly secured credit and securitization of the entire business. For the regular credit, the borrower takes upon himself to pay the creditor, and the obvious source of payment is the cash flow of the borrower.

The creditor may have the security interest on the whole or on the part of the assets of the borrower in order to secure the ratified credit. At securitization, on the other hand, the investor gets legal rights on the part of the assets of the initiator that is legally isolated from the initiator.

At securitization of the entire business, since the idea is to liquidate HoV with the entire cash flow of the company, there is no question for isolation of the assets from the initiator. In other words, the investors get claims on the entire cash flow of the initiator, which remains under legal and contractual control of the initiator, as well as the assets on the basis of which the cash flow begins.

The only difference between secured financing and securitization of the entire business is that in the case of securitization of the entire business investors will have bigger legal control over the initiation through a special-purpose company, so that they can actually take control over the initiator's business in case of nonfulfillment of obligation.

CONCLUSION

The importance of access to credit for firms in particular for SMEs has been the focus of a vast literature. We add to that body of knowledge by creating a firm level measure of the credit constrained status based on hard data and describing what type of firms are more likely to be credit constrained and which ones are not.

As commonly found in the literature, SMEs are more likely to be credit constrained than large firms. They are also more likely to use trade credit and informal sources of finance as funds for investment and working capital than large firms. Using our proposed measure of credit constrained status we find that age is not significant for defining the probability of being credit constrained.

Higher performing firms are less likely to be credit constrained. This result is stronger for large and medium firms than for small firms. Not surprisingly, we also find that in countries with higher levels of private credit to GDP ratio firms are less likely to be credit constrained.

The new measure of credit constrained status at the firm level is a very rich measure that can be used in different types of analysis. This paper aims at presenting new approach of securitization benefits to corporate finance of SMEs could open the door for future research in this area.

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ORGANIZATIONAL EMPLOYEE COMMITMENT: THE CASE OF PERUVIAN COMPANIES

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Abstract

The purpose of this qualitative study is to identify the factors that influence employees to commit themselves to their organizations and how organizations can develop commitment among their employees, based on the Peruvian case. One of the major challenges facing organizations is to retain talented employees; keeping top-performance employees committed is important to growth in productivity and competitiveness and to accomplish business objectives.

The study found that the source of commitment (affective, continuance and normative) seems to change according to age, family situation, educational level and during the life cycle of employees. The source of commitment can vary over time, as it is a dynamic force; therefore factors should be periodically measured and actions have to be constantly implemented in order to maintain a high or improved level of commitment.

The value of the study is to contribute evidence to the literature on the factors that influence employee commitment in a context that has not been studied before. The interesting aspect of the context studied is that represents a country with one of the highest GDP growth rates in the world during recent years.

Keywords: *Organizational Commitment; Perú; Emerging Countries; Employee Commitment;*

INTRODUCTION

Commitment in the workplace can take various forms, and it can be argued that it has the potential to influence organizational effectiveness and employee well-being (Meyer & Herscovitch, 2001). Major efforts have been carried out throughout the world to try to understand the reasons why an employee decides to commit himself to an organization.

Commitment refers to “a force that binds an individual to a course of action that is of relevance to a particular target” (Meyer & Herscovich, 2001, p. 1) and it is a relatively recent area of research. However, today it is gaining greater attention from companies due to the lack of talented employees, the cost to organizations of losing employees, the cost of new training, the recruiting time, the learning curve and the productivity increase in companies with committed employees.

Satisfaction, motivation, training and commitment are among the issues that frequently appear in many companies' reports, websites or speeches. These issues, in the end, indicate the need to retain talented individuals if organizations are to increase their productivity. It is important to value the productivity of talented and trained employees and the cost of losing them; specially when committed employees are characterized as loyal and very productive (Porter, Steers, Mowday & Boulian, 1974). It is essential to bear in mind when an employee leaves the company that this organization must look for a talented substitute, train this person and also provide compensation to the person to change his/her current job.. So, in this scenario, it makes sense to work inside the company to find talented employees and obtain commitment from these people to the organization.

Buckingham & Coffman (1999) found that only one in four employees is truly committed. Three categories can be found: those who are committed (or engaged), those who are not committed, and those who are actively uncommitted (or disengaged). Twenty-six (26%) of the working population is committed in their work while 55% is not committed and the rest is actively uncommitted (Buckingham & Coffman, 1999). Several well-regarded studies have recently estimated the cost of losing an employee. For example, the Society for Human Resource Management estimated that it costs \$3,500 to replace one \$8.00 per hour employee when all costs — recruiting, interviewing, hiring, training, reduced productivity, etc., were considered. Also, the cost of losing employees is said to be 30-50% of the annual salary of entry-level employees, 150% of middle level employees, and up to 400% for specialized, upper-level employees.

Managing the working population may lead to higher productivity due to the influence of actively committed employees. Organizations with committed employees have higher productivity due to the extra effort and work that these employees provide to the performance of the company (Ogodazi, 2010). Managing human beings and their expectations is really very complex, and in a common environment, not committed and disengaged employees can influence those who are actively committed, thus affecting the productivity of all the organization.

Many organizations believe that they have good working conditions and a good working environment, but still loose productivity and talented employees. Commitment must be in line with employees' expectations throughout the time of one's employment in the organization. This commitment must be cultivated every single day and led by the company management (O'Malley, 2000). Businesses must not only have a winning business model; they must also have winning employees (Pepe, 2010). This issue generates strong competition among organizations to attract and retain talented employees and to improve the productivity of the workforce. Nowadays, it is not only necessary to measure the talent of the employees, but also how to commit this talent to the organization's objectives.

The purpose of this study is to identify the factors that affect the organizational commitment of employees, based on the case of Peruvian companies.

PRIOR RESEARCH

The literature reveals two different perspectives on organizational commitment: attitudinal and behavioral (Becker, 1960; Kiesler, 1971; Steers, 1977; and Scholl, 1981). The attitudinal view emphasizes that employees' commitment is based on their intentions (Scholl, 1981). The outcomes of these attitudinal intentions can increase performance, reduce absenteeism, as well as reduce turnover (Steers, 1977). In contrast, the behavior view emphasizes commitment as the force that ties an individual to a specific organization (Scholl, 1981).

What is Commitment?

Prior research shows very little consensus among scholars and researchers on how commitment can be defined (Table 1). Indeed, this lack of consensus contributed greatly to its treatment as a multi-dimensional or uni-dimensional construct (Meyer & Allen, 1991). To establish a definition, Becker (1960) stated "commitment comes into being when a person, by making a side bet, links extraneous interests with a consistent line of activity." The Oxford Dictionary (Onions, Washington, & Burchfield, 1969). defines commitment as "an engagement or obligation that restricts freedom of action." Salancick (1977) defines it as "a state of being in which an individual becomes bound by his actions and through these actions to beliefs that sustain the activities of his own involvement." Scholl (1981) defines it as "a stabilizing force that acts to maintain behavioral direction when expectancy/equity conditions are not met and do not function." Brickman (1987) defines it as "a force that stabilizes individual behavior under circumstances where the individual would otherwise be tempted to change that behavior." Oliver (1990) defines it as "one's inclination to act in a given way toward a particular commitment target." Brown (1996) defines it as "an obliging force which requires that the person honor the commitment, even in the face of fluctuating attitudes and whims." Meyer and Herscovich (2001) define commitment as "a force that binds an individual to a course of action that is of relevance to a particular target" and job

satisfaction with the pleasure the worker takes from the job and the positive emotional state that occurs as a consequence (Tanriverdi, 2008).

Table 1 Definitions of Commitment

Commitment in general

“Commitment comes into being when a person, by making a side bet, links extraneous interests with a consistent line of activity” (Becker, 1960, p. 32)

“...an engagement or obligation that restricts freedom of action” (Oxford English Dictionary, 1969)

“...a state of being in which an individual becomes bound by his actions and through these actions to beliefs that sustain the activities of his own involvement” (Salancik, 1977, p. 62)

“...a stabilizing force that acts to maintain behavioral direction when expectancy/equity conditions are not met and do not function” (Scholl, 1981, p. 593)

“...a force that stabilizes individual behavior under circumstances where the individual would otherwise be tempted to change that behavior” (Brickman, 1987, p. 2)

“...one’s inclination to act in a given way toward a particular commitment target” (Oliver, 1990, p. 30)

“...an obliging force which requires that the person honor the commitment, even in the face of fluctuating attitudes and whims” (Brown, 1996, p. 241)

“...a force that binds an individual to a course of action that is of relevance to a particular target” (Meyer and Herscovich, 2001, p. 1)

Organizational commitment

“...process by which the goals of the organizations and those of the individual become increasingly integrated and congruent” (Hall et al, 1970)

“...being a positive evaluation of the organization and the organizations goals” (Sheldon, 1971)

“...a strong belief in and acceptance of the organization’s goals, a willingness to exert considerable effort on behalf of the organization, and a definite desire to maintain organizational membership” (Porter et al. 1974)

“...the relative strength of an individual’s identification with and involvement in a particular organization” (Mowday et al., 1979, p. 226)

“...the totality of normative pressures to act in a way which meets organizational goals and interests” (Wiener, 1982, p. 421)

“...commitment initiates a rationalizing process through which individuals 'make sense' of their current situation by developing attitudes (satisfaction) that are consistent with their commitment” (Bateman & Strasser, 1984)

“...the psychological attachment felt by the person for the organization; it will reflect the degree to which the individual internalizes or adopts characteristics or perspectives of the organization” (O’Reilly & Chatman, 1986, p. 493)

“...a psychological state that binds the individual to the organization” (Allen & Meyer, 1990, p. 14)

“...a bond or linking of the individual to the organization” (Mathieu & Zajac, 2000, p. 171)

Source: Commitment in the workplace. Toward a general model. Meyer and Herscovitch, 2001).

According to these definitions, moral, psychological, emotional, cultural, and organizational commitment can be established, among other types. This study focuses on the commitment that an individual has to the organization that he/she works for, known as organizational commitment. Hall et al. (1970) define organizational commitment as the “process by which the goals of the organizations and those of the individual become increasingly integrated and congruent.” O’Reilly and Chatman (1986) define organizational commitment as “the psychological attachment felt by the person for the organization; it will reflect the degree to which the individual internalizes or adopts characteristics or perspectives of the organization.” Mathieu and Zajac (1990) define it as “a bond or linking of the individual to the organization.” They found three psychological factors: willingness to stay in an organizational, to make efforts on its behalf and to accept its goals and values. Meyer and Allen (1991) stated that organizational commitment is a multidimensional construct based on affective, continuance and normative components.

Dimensions of Commitment

Table 2 illustrates models of the dimensions of commitment. Angle and Perry (1981) define a two-dimensional model: value commitment and commitment to stay. O’Reilly and Chatman (1986) define a three-dimensional model: compliance, identification and internalization. Penley and Gould (1988) define a three-dimensional model: moral, calculative, and alienating. Meyer and Allen (1991) define a three-dimensional model: affective, continuance, and normative. Mayer and Schoorman (1992) define a two-dimensional model: value and continuance. Jaros et al. (1993) define a three-dimensional model: affective, continuance and moral.

Meyer and Allen (1984, 1990, 1991) developed a three-dimensional model on commitment looking at similarities and differences in conceptualizations of organizational commitment. They found that commitment binds an individual to organization and reduces of leaving it. The dimensions of Meyer and Allen's (1991) model are: (a) *Affective commitment*, defined as the employee's positive emotional attachment to the organization. An employee who is affectively committed strongly identifies with the goals of the organization and desires to remain a part of the organization. This employee commits to the organization because he/she "wants to." (b) *Continuance commitment*, when the individual commits to the organization because he/she perceives high costs of losing organizational membership, including economic costs (such as pension accruals) and social costs (friendship ties with co-workers) that would be incurred. The employee remains a member of the organization because he/she "has to." (c) *Normative commitment*, when the individual commits to and remains with an organization because of feelings of obligation. These feelings may derive from many sources. For example, the organization may have invested resources in training an employee who then feels a “moral” obligation to put forth effort on the

job and stay with the organization to “repay the debt.” It may also reflect an internalized norm, developed before the person joins the organization through family or other socialization processes, that one should be loyal to one's organization. The employee stays with the organization because he/she "ought to."

Table 2 Dimensions of Commitment

Angle and Perry (1981)	<ul style="list-style-type: none"> • value commitment, defined as “commitment to support the goals of the organization” • commitment to stay, defined as “commitment to retain their organizational membership”
Meyer and Schoorman (1992)	<ul style="list-style-type: none"> • value, defined as the “belief in and acceptance of organizational goals and values and a willingness to exert considerable effort on behalf of the organization” • continuance, defined as “the desire to remain a member of the organization”
O’Reilly and Chatman (1986)	<ul style="list-style-type: none"> • compliance, defined as the “instrumental involvement for specific extrinsic rewards” • identification, defined as the “attachment based on a desire for affiliation with the organization” • internalization, defined as the “involvement predicated on congruence between individual and organizational values”
Penley and Gould (1988)	<ul style="list-style-type: none"> • moral, defined as the “acceptance of and identification with organizational goals” • calculative, defined as “a commitment which is based on the employee’s receiving inducements to match contributions” • alienating, defined as the “organizational attachment which results when an employee no longer perceives that there are rewards commensurate with investments; yet he/she remains due to environmental pressures”
Allen and Meyer (1991)	<ul style="list-style-type: none"> • affective, defined as “the employee’s emotional attachment to, identification with, and involvement in the organization” • continuance, defined as the “awareness of the costs associated with leaving the organization” • normative, defined as the “feeling of obligation to continue employment”
Jaros (1993)	<ul style="list-style-type: none"> • affective, defined as “the degree to which an individual is psychologically attached to an employing organization through feelings such as loyalty, affection, warmth, belongingness, fondness, pleasure, and so on” • continuance, defined as the “degree to which an individual experiences a sense of being locked in place because of the high costs of leaving” • moral, defined as “the degree to which an individual is psychologically attached to an employing organization through internalization of its goals, values, and missions”

O'Malley (2000)	<ul style="list-style-type: none"> • affiliative, defined as “the compatibility of the employee’s and the organization’s interest and values” • associative, defined as “the employee’s perception of belonging to the organization” • moral, defined as “the sense of mutual obligation between the employee and the organization” • affective, defined as “the feeling of job satisfaction experienced by the employee” • structural, defined as “the belief that the employee is engaged in a fair economic exchange”
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Source: Commitment in the workplace. Toward a general model. Meyer and Herscovitch, 2001).

According to Meyer and Allen (1991), each of the three motives of organizational commitment may be influenced by different antecedents. They noted that work experience and personal characteristics are related to affective commitment. In addition, continuance commitment is related to employees’ perceptions of alternative job prospects and costs of leaving to join another organization. Social and cultural orientations of employees may influence their normative commitment behavior.

Behavioral Consequences of Commitment

The expected behavioral consequences of commitment to an organization include lower turnover, reduced absenteeism, improved performance, and increased organizational citizenship behavior. There is more to the commitment–behavior link, however, than the nature of the target. When commitment is to an entity, the behavioral implications are sometimes considered to be quite specific (e.g., continued membership). At other times, they are considered to be quite broad (e.g., working toward organizational objectives). Differences in the breadth of behavioral consequences can exist even within a single model. For example, in Meyer and Allen’s three-dimensional model, the behavioral consequences of continuance commitment, and to some extent of normative commitment, are more specific than are those for affective commitment.

Meyer et al. (2002) reported that employees’ affective commitment, rather than their normative commitment, relates strongly to their organization-related behaviors such as attendance, performance, and organizational citizenship behavior. They also found weak but significant relationships between affective commitment and employee-related behaviors such as stress and work-family conflict. In addition, the authors revealed that employees’ affective commitment and normative commitment are negatively correlated with their turnover intention and actual turnover. However, they found that employees’ continuance commitment correlated negatively with their job performance, attendance, and organizational citizenship behavior.

The mind-sets accompanying commitment have implications for the probability that certain behavioral consequences of commitment will occur. All three mind-sets will be positively associated with the occurrence of the focal behavior, but affective commitment will have a stronger relationship than normative and continuance commitment.

How does Commitment develop?

According to O'Malley (2000), there are five general conditions related to the development of commitment: (a) fit and belonging; (b) status and identity; (c) trust and reciprocity; (d) emotional reward; and (e) economic interdependence. Goldsmith (2010) states there are 10 issues in creating and maintaining positive workplace habits: (a) recognize co-workers for their commitment and caring, (b) share in creating a positive and emotionally comfortable working environment, (c) make working relationships meaningful, (d) be responsible for the actions, (e) be accountable for one's commitment, (f) balance the work and the rewards, (g) help each other grow and learn, (h) give co-workers the opportunity to be their best, (i) understand team members' motivation and stresses, and (j) keep conversations interesting.

According to Meyer & Herscovitch (2001), the mind-set of desire develops when an individual becomes involved in or engaged to, recognizes the value-relevance of, and/or derives his/her identity from association with an organization. The mind-set of perceived cost develops when an individual recognizes that there are not alternatives to the current course of action or the costs of losing investments. The mind-set of obligation develops as a result of the internalization of norms, the benefits that induce a need to reciprocate and/or acceptance of the psychological contract.

There are factors that have an impact on commitment. According to Kalinowski (2007), Herzberg defined hygiene factors as the factors which absence will serve to de-motivate employees, but the presence of these same factors does not serve to motivate employees in the workplace. The literature clearly suggests that there are five key factors: (a) assimilation, (b) relationships, (c) leadership, (d) downsizing/layoffs, and (e) job satisfaction (Akdogan & Cingoz, 2009; Chen, 2008; Cohen, 1993; Erben & Guneser, 2008; Tanriverdi, 2008).

The assimilation process contends that individuals who are new to an organization participate in a phased approach to get acclimated to the environment. There are three specific phases that newcomers to an organization go through: (a) anticipatory, in which newcomers prepare for their new role; (b) accommodation, in which newcomers begin mastering their new role; and (c) full membership, in which members become fully accepted into the organization (Buchanan, 1974; Feldman, 1976; Hackman, Lawler & Porter, 1975; Schein, 1978). Relationships in the everyday work environment are a critical social norm among employees. Employees who are committed and have relationships at work are less likely to leave the organization as quickly as those do not have any relationships at work (Cohen, 1999). Buckingham & Coffman (1999) found leadership to be an important element in organizational commitment.

METHOD

A qualitative approach of multiple case studies under a holistic design was used to identify the factors that influence employee commitment and what organizations can do to improve commitment among their employees. The qualitative strategy used is appropriate for the following reasons: (a) it allows appropriate answers to the questions “what?” and “why?” (Yin, 2003); (b) there is no control over the factors of the commitment (Yin, 2003); (c) it allows gathering knowledge on complex, sensitive and personal aspects, such as the decision to become a committed employee (Stevenson, 1990). Multiple cases have been examined, since they give greater evidence than a single case, produce a more complete study and increase the reliability of the results (Yin, 2003).

The sample has been carefully structured to reflect the diversity of companies, choosing successful organizations from different areas of the Peruvian economy (mining, retail, security and financial services). The companies chosen had to fulfill some requirements: a) be a formal company; b) have at least five years of operation; and c) have more than 51 employees. The data collection method was based on direct interviews with employees and representatives of senior management for human resources issues during meeting in their offices or in a public place that lasted an average of 60 minutes. The following criteria were used to define the sample of employees to interview: (a) the employee must have at least 6 months with the company, (b) the employee must have an operational or administrative role within the company, (c) the employee must report to a boss or person in a superior position, and (d) the employee must work in the company more than 35 hours a week. In the case of the representatives of senior management for human resources issues, the criterion was the highest level of the management in the organization that assumes responsibilities for human resources. To respond adequately to the research questions, 20 cases were selected in four companies (16 employees and 4 managers) (see Table 3).

The data was collected in several sessions, mainly through in-depth interviews. The information was coded, categorized and analyzed using analytic induction (Strauss & Corbin, 1998). The data were analyzed according to the six phases suggested by Marshall and Rossman (1999): organizing and preparing the information for analysis in order to generate categories, themes and patterns through a comprehensive review of information; coding categories and themes; setting appointments information; testing the initial findings; seeking alternative explanations of the information; and writing the report. The information was processed in *Atlas.ti* version 5.2.

The following strategies were used to ensure *construct validity*: (a) triangulation of the information, (b) key informants revised the draft reports of the cases studied; (c) a chain of evidence was kept in the analysis; (d) the researcher’s bias was clearly specified (Creswell, 2003, p. 196); (e) quasi-statistics were carried out to analyze the information related to each particular conclusion (Maxwell, 1996, p. 95); (f) two pilot cases were carried out (Feng, 2005, p. 42). To ensure *internal validity*, the study used the *pattern matching* strategy; patterns emerging from the comparison of cases provided the bases to establish the conclusions of the research. To ensure *reliability*, the study used the following strategies: the use of a protocol case, the use of a data base of each case, the use of an external researcher to verify the contents and logic of the information analysis and to compare the conclusions with the ones the researcher considered to emerge from the information.

Table 3. Profile of Informants, Employees

Name	Current Age	Gender	Marital Status	Children	Educational level	Current Position	Years of Experience	Years of Experience origa
Inter. 1 Financial	43	Male	Married	2	Master of Management	Credit & Debit Card Manager	23	7
Inter. 2 Financial	35	Male	Single	0	Bachelor in Business Administration	Credit Analyst	15	15
Inter. 3 Financial	31	Female	Married	1	Bachelor in Business Administration	Product Analyst	11	2,5
Inter. 4 Financial	24	Female	Single	0	Bachelor in Business Administration	Product Analyst	4	1
Inter. 1 Mining	42	Male	Married	2	Master of Business Administration	Head of Communications	10	10
Inter. 2 Mining	37	Female	Married	3	Secondary School	CSR Coordinator	6	6
Inter. 3 Mining	33	Male	Married	2	Mechanical Engineer	Chief of Heavy Machinery	9	2
Inter. 4 Mining	54	Male	Married	2	Agronomist	CSR Coordinator	3	3
Inter. 1 Security	46	Male	Married	2	Incomplete Secondary School	Security Guard	5	5
Inter. 2 Security	33	Female	Married	0	Incomplete Computer Technician	Security Guard	1	1
Inter. 3 Security	54	Male	Divorced	1	Computer Technician	Security Supervisor	25	15
Inter. 4 Security	31	Female	Single	0	Computer Technician	Security Guard	11	2
Inter. 1 Retail	44	Female	Married	3	Architect	Shopping Center Architect	20	14
Inter. 2 Retail	50	Female	Married	2	Bachelor in Administration	Commercial Executive	31	15
Inter. 3 Retail	54	Male	Married	4	Master of Business Administration	Real Estate Development Manager	30	5
Inter. 4 Retail	34	Male	Single	0	Secondary School	Operation Analyst	11	9

CASE ANALYSIS RESULTS

Evidence of Commitment

The study assessed the type of commitment most prevalent among the case studies. Within affective, continuance and normative commitment, the results are shown for each organization, indicating a tendency in the case studies. Although there was a mix of these types of commitment, the finding is that one of them always prevailed. According to Table 4, the predominant kind of commitment is the affective one with 113 answers related to its evidence.

Table 4 Predominant Type of Commitment

Kind of Commitment	Financial Services	Mining	Security Services	Retail	Total
Affective	23	26	31	33	113
Continuance	8	9	11	10	38
Normative	7	8	5	5	25
Total	38	43	47	48	

Best Practices of Organizational Commitment

Assimilation, leadership, relationship, communication, job satisfaction, and opportunities are factors found in previous research that influenced commitment. The results show the best practices related with organizational commitment found in the study (Table 5):

a) *Remuneration packages and other social benefits.* Among the best practices found to maintain and promote the commitment to the companies, the predominant ones are those that give or solve tangible or immediate needs of the workers, such as remuneration, wages, medical and life insurance and social benefits, which appeared in 13 of 20 cases studied. Hygiene factors defined by Herzberg (Kalinowski, 2007) are important factors. The results show that payment is important and it could be a reason to leave the organization. A delay in payment, a reduction of salary or losing any of the social benefits that the employee has are considered among the factors that will make the employee consider changing his/her current employment.

Table 6 Predominant Commitment according to Life Cycle

Interviewees	Ages	Gender	Marital Status	Independent sons and daughters		Education	Years of Experience	Predominant Commitment	
				Family Children	Independent sons and daughters				
Inter. 1 Financial	43	Masculine	Married	Yes	Yes	No	Master's degree	23	Continuance
Inter. 2 Financial	35	Masculine	Single	No	No	No	Complete University Education	15	Affective
Inter. 3 Financial	31	Female	Married	Yes	Yes	No	Complete University Education	11	Affective
Inter. 4 Financial	24	Female	Single	No	No	No	Complete University Education	4	Affective
Inter. 1 Mining	42	Masculine	Married	Yes	Yes	No	Master's degree	10	Continuance
Inter. 2 Mining	37	Female	Married	Yes	Yes	No	Secondary School	6	Affective
Inter. 3 Mining	33	Masculine	Married	Yes	Yes	No	Complete University Education	9	Continuance
Inter. 4 Mining	54	Masculine	Married	Yes	Yes	No	Complete University Education	3	Continuance
Inter. 1 Security	46	Masculine	Married	Yes	Yes	Yes	Incomplete Secondary School	5	Affective
Inter. 2 Security	33	Female	Married	Yes	No	No	Incomplete Technical Education	1	Affective
Inter. 3 Security	54	Masculine	Divorced	Yes	Yes	Yes	Complete Technical Education	25	Affective
Inter. 4 Security	31	Female	Single	No	No	No	Complete Technical Education	11	Affective
Inter. 1 Retail	44	Female	Married	Yes	Yes	No	Complete University Education	20	Affective
Inter. 2 Retail	50	Female	Married	Yes	Yes	Yes	Complete University Education	31	Affective
Inter. 3 Retail	54	Masculine	Married	Yes	Yes	Yes	Master's degree	30	Affective
Inter. 4 Retail	34	Masculine	Single	No	No	No	Secondary School	11	Affective

b) Long term opportunities. Results show that long-term factors to improve commitment are those related to career path, support for education, and training programs, in order to improve professional performance and bring about progress in the company, thus assuring a better future. This was stated in eight out of 20 case studies. Interviewees stated: “training, courses and careers path opportunities programs are the most important factors” (Int. 4 431:431); “the company maintains training programs for leaders of all areas, handling a conduct code and social action as a model” (Int.1 62:62).

c) Communication. Communication is one of the key issues to keep people involved in the performance of the company, the establishment of strategic plans, and to be aware of the importance of their role in carrying out their work. It seems to be an emotional factor that triggers a sense of belonging in employees. Interviewees stated: “monthly, we promote the diffusion of the results to all the employees, the progress and the possible deviation that we have, as well as progress and changes in the strategic plan. Subsequently we generate random calls through a call center to verify if they really know the results” (Int. 1 165:165).

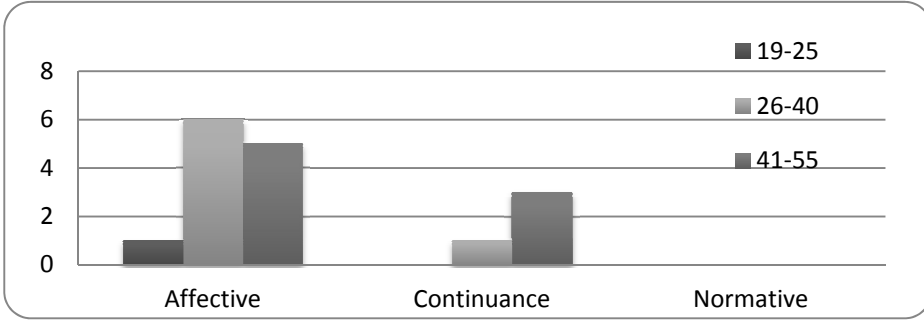
d) Other practices. Finally, other elements were mentioned less frequently, but not less important, because contrasting them to the literature, they could be linked to hygienic factors, which are important. If these kinds of factors are not perceived in a positive way, it could discourage or even make employees consider the option of leaving the company. These elements are an environment of trust, open communication and good treatment of personnel, loans and financial assistance, evaluations and positive feedback, labor climate, linkage of the employees to the organizational values and an appropriate process of assimilation.

Transversal Analysis of the Cases

The transversal analysis of the cases related the demographic, educational level, gender, marital status and family background of interviewees with the factors that influenced their commitment to organizations they are working for. Previous research has recognized five key factors that affect commitment: assimilation, leadership, relationship, downsizing/layoffs and job satisfaction. This study shows that career development plan, career opportunities, training, economic help (personal credits), consistency and transparency in communications, and the sense of belonging to an organization due to its reputation are also important factors related to commitment.

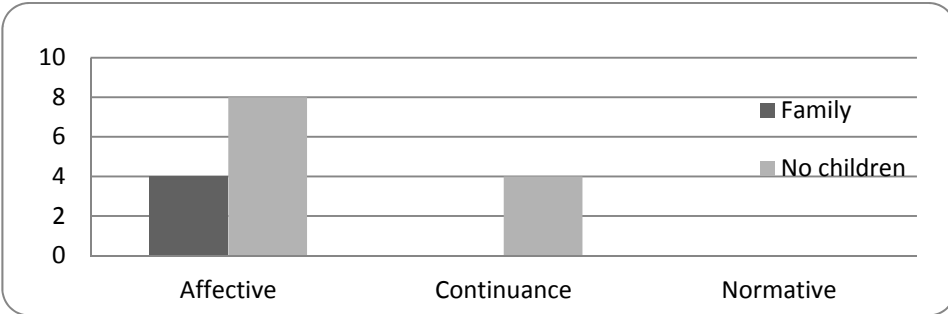
Commitment by age. Results show that employees who were between 19 and 40 years old seemed to have more consideration to the factors, such as career opportunities, associated with the affective type of commitment. As the employees get older, the predominant type of commitment seems to change to a normative or a continuance one, valuating factors as job stability (Figure 1).

Figure 1 *Predominant Commitment, by Age*



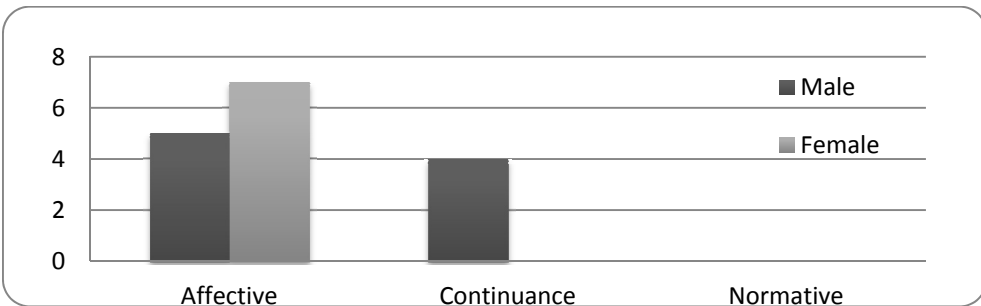
Commitment by marital status and number of children. Results show that the type of commitment changes, depending on the marital status and the number of children of employees. As employees get married and have children, it seems that they become more conservative and start to value more the factor associated with continuance commitment. Single employees seem to be more attracted to affective commitment factors (Figure 2).

Figure 2 *Predominant Commitment, by Family Situation (Number of children)*



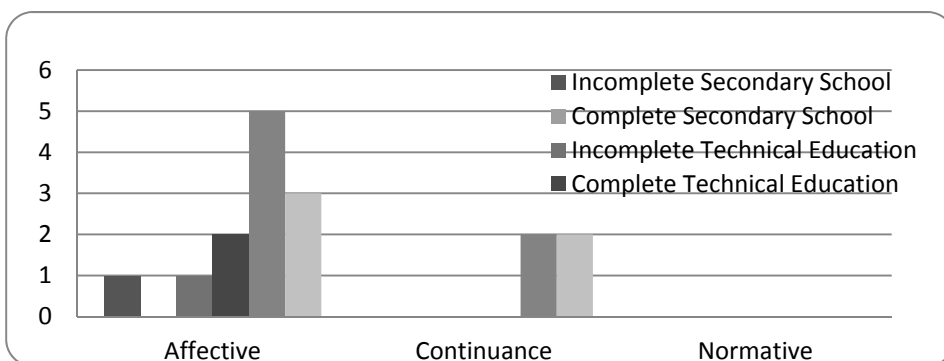
Commitment by gender. Results show that women seem to be more associated with the affective commitment factors than men (Figure 3).

Figure 3 *Predominant Commitment, by Gender*



Commitment by educational level. Results show that the higher the educational level, the higher influence of continuance commitment. The two people showing continuance commitment as being predominant have a higher educational level, but also others with a high educational level show affective commitment. It is noteworthy that in the case of the interviewees with a lower education level, they held a gratitude to the company for the economic help they received in terms of advancements or personal credits (Figure 4).

Figure 4 *Predominant Commitment, by Educational Level*



The Life Cycle of Employee Commitment

The study also shows that the source of commitment (affective, continuance and normative) seems to change during the life cycle of workers (Table 6). The three types of commitment are present at the same time but in different degrees, but one is always predominant over the others. For example, results show that young people, both male and female, are those who look for greater improvement, while accepting challenging goals and seeking greater recognition from the organization and from superiors. They expressed that, of the opportunities, one of the most important factors for them to be committed. By doing so, they show affective commitment as being predominant.

Results also show that commitment life cycle of an employee to an organization depends on the life cycle at personal level. Personal situations and responsibilities, such as having a family and professional expectancies can influence to shorten or lengthen the cycle. It seems that as the stages of an employee in his/her personal life can influence how the factors defined in the conceptual framework are perceived by an employee, making him/her change his/her opinion on the organization.

There are four stages at any level: initiation, growth, maturity and decline. The first stage, initiation, is understood as the period of time dedicated to start something new. The second stage, known as growth, is when stability to something initiated is reporting the first benefits. The third stage, known as maturity, is when the learning curve starts to be saturated and finally, in the last stage, decline, efforts and sacrifices are reduced due to the need to do something new. For example, at the professional level, it can be when a person decides to start a job and at the personal level, when a person decides to grow a family.

EMERGING CONCEPTUAL FRAMEWORK: WHY DO EMPLOYEES COMMIT TO ORGANIZATIONS?

The following conceptual framework is presented to explain different factors that influenced commitment among employees (Figure 5). The model has identified three additional factors to those found by previous research: (a) Opportunities, as almost all the interviewees had expressed it as an important motivation factor; (b) Quality of life, as a factor that almost all the interviewees appreciated and not only by those who have children, but also by those who are single and are looking for training and any other social activities; and (c) Business practices, as representatives of senior managers and employees indicated as a factor that can make a difference in commitment of employees to an organization.

DISCUSSION

This study has contributed to several topics related to organizational commitment. First, the identification of the factors that influence organizational commitment and the best practices to promote it, based in Peruvian case. Second, an emerging conceptual framework was defined, and a new group of factors have been added to those already existing.

Third, the study identifies that there is the presence of the three kinds of commitment in any employee, but that one is prevalent over the others. Also, the perceptions of the factors and the actions that an organization can implement can make a change in the predominant commitment.

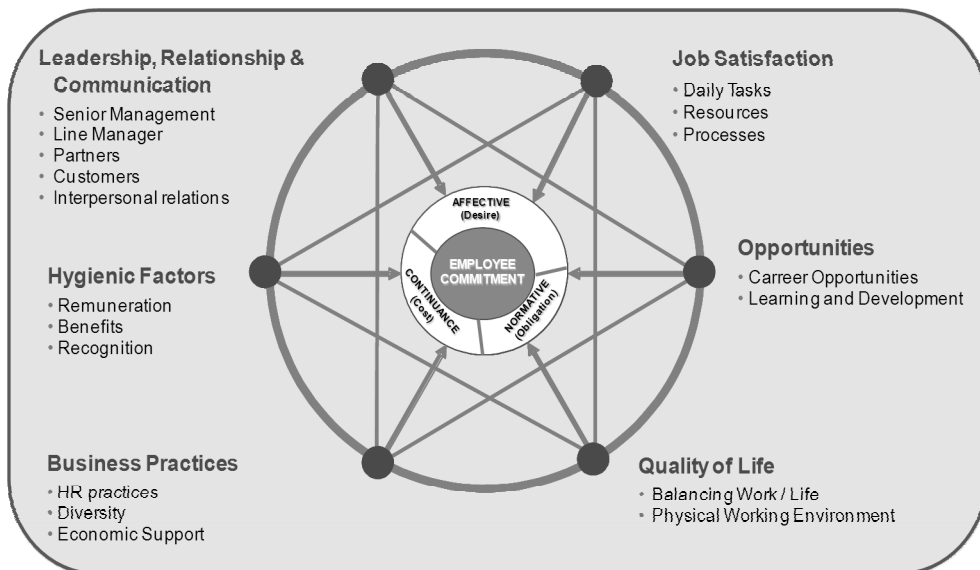
Fourth, the study also identified the temporality of the employee commitment. As commitment is a dynamic emotional mindset, it is necessary to assess it continuously using objectives measures. Factors that influence employee commitment seem to vary depending on age, family responsibilities, gender and educational level. Employee commitment life cycle also seems to be influenced by

the personal circumstances of an employee and, depending on it, factors that affect commitment can be perceived differently than in the past and in the future.

Meyer and Herscovich, (2001) defined commitment as "...a force that binds an individual to a course of action that is of relevance to a particular target." The results seem to suggest a variation in the definition, adding the term *dynamic*. So, the proposed definition may be "*a dynamic force that binds an individual to a course of action.*"

The study suggests that it possible for organizations to develop policies to promote commitment among employees and to design specific support programs according to the specific profile of the employee in order to adequately stimulate their commitment, and to increase the chances for their success within the organization. It seems to be that organizations should: (a) improve their labor climate through employee commitment and to do so, they can define the principal factors that positively influence commitment; (b) realize that a pattern to understand all the employees does not exist, and so organizations have to focus on understanding what their employees really need in order to identify the appropriate type of commitment; (c) measure periodically the different actions taken to improve commitment; (d) adapt their processes to include the opinions of their employees in the decision-making process in the situations that directly affect employees; and (e) develop different profiles of employees, from highly qualified to not qualified employees.

Figure 5 Emerging Conceptual Framework



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PART FOUR
LABOR MARKET NEEDS AND EDUCATION
CURRICULA CHANGES



HOW TO MAKE AN EDUCATION SYSTEM LABOR MARKET ORIENTED? RECOMMENDATIONS FOR POLICY MAKERS IN WESTERN BALKAN COUNTRIES

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Abstract

It is no secret that good education lies at the heart of economic growth and development. At the same time, improving the quality and relevance of education is enormously difficult not least because there is no one single policy measure that will do so effectively. This paper seeks to answer the following questions: Why do Western Balkan's firms increasingly complain that they cannot find graduates with the right skills? What can Western Balkan countries do to close the skills gap? When trying to answer these questions, this paper faces a fundamental problem: data exist on the number of students who graduate (i.e., how many diplomas are issued) in Western Balkan countries, but internationally comparable data on whether graduates of upper secondary and tertiary institutions (from which the bulk of Western Balkan graduates now enter the labor market) have the right skills and competencies for the job market do not exist. Therefore, in drawing recommendations for policy makers in Western Balkan countries will be used the most effective reform approach – introduction of education system based on results in order to address major impediments of current education system and its drawbacks to the labor market needs fulfilment.

Key words: *education system, policy makers, policy reform, education system for results*

INTRODUCTION

The scope of the problem

Fabled for uniform access and high quality of education 20 years ago, countries in Western Balkan region have struggled to maintain their reputation. They have been late in developing systems to assess how much students are learning and whether learning is leading to employment. In this sense, their education systems operate in the dark, which makes policy making extremely difficult. Additionally, the management system, also a vestige of the past, limits the ability of schools to improve the learning environment for students, as well of municipalities that may want a different mix of programs to meet local labor market needs. The countries have been slow to embrace the governance and accountability reforms that are now part of the landscape of education systems the world over. These limitations to autonomy and accountability for outcomes have reduced the energy and the incentives for improvements from within the system, contributing to a shortage of skills. Indeed, firm complaints about the shortage of relevant skills for expansion and growth have risen to a crescendo in most countries. Finally, the systems increasingly allocate resources where they are not needed. For example, the sharp decline in student numbers in the past 20 years has not resulted in a commensurate decline in the number of classrooms and teachers. As a result, resources are increasingly tied up in buildings and teachers where they may be better spent elsewhere. Most of these limitations are found not just in schools but extend to higher education and to training.

The quality and relevance of education requires a fundamental change of approach to education in the countries of the region. To start with, education systems need to “turn the lights on” and take seriously the measurement of what students actually learn as opposed to measurement of the inputs into the education process on the implicit assumption that learning follows. This assessment needs to inform both teaching and policy making. Policy makers also need to move away from controlling inputs and processes and instead increase the emphasis on incentives to improve student learning, whether in school or in higher education. And, finally, for these reforms to be financially feasible, current spending on education needs to be used much more effectively. In particular, countries in the region cannot afford to maintain one of the lowest class sizes in the world while heating and lighting half empty buildings when resources are needed elsewhere.

Problem in the Western Balkan region relates more to the quality and relevance of the education provided in Western Balkan countries than to problems of access. The three most important and interrelated impediments to improving quality and relevance are:

- the lack of systematic data on key skills-related performance issues (i.e., how much students are learning and whether they are finding jobs after they graduate),
- the legacy of central planning, and
- Inefficient use of resources.

Lack of data on student learning and employment outcomes makes it difficult for education ministries to address the legacy of central planning, which emphasizes centralized management based on inputs. Ministries of education in the region continue to micromanage the sector using detailed norms and regulations. This input-oriented style of management leads to the inefficient use of resources and results in a rigid education sector-not the type of flexible sector needed by Western Balkans to create modern, skilled workforces.

Do graduates in Western Balkans have the right skills for the modern job market?

Put simply, there is no internationally comparable information on the quality of upper secondary or tertiary education or the relevance of education at these levels - information that would indicate whether graduates have the right skills for the modern job market.

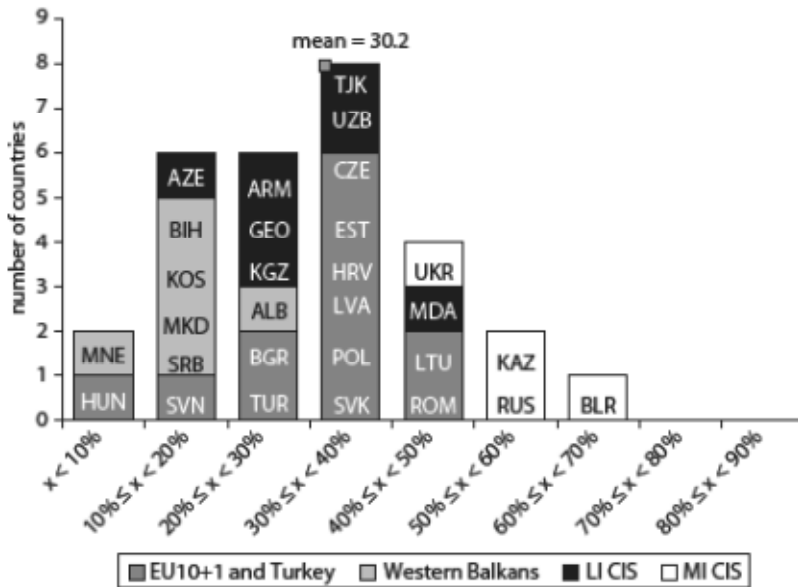
There are international assessments that provide information on student competencies up to the age of 15 (usually the end of lower secondary education), but this is not an age when most people in the region are entering the job market. Beyond these early-stage assessments, no comprehensive, fully reliable information exists on student competencies. What is more, the information on student competencies that is available relates only to fundamental cognitive skills, not behavioral skills-involving such issues as work ethic and teamwork-which are emphasized by employers. For policy makers to better understand the causes of the emerging skills bottleneck-and how to address it-this informational gap needs to be closed.

The quality of upper secondary and tertiary education in the region is also unlikely to have improved, although lack of data makes it hard to confirm this contention. Since educational quality is not showing consistent improvement at the lower secondary level, this weakness is probably mirrored at the upper secondary level (albeit with a lag). Enrollments at the tertiary level used to be tightly controlled and reserved for the few, best performers. In the past two decades Western Balkans, however, enrollments have doubled, tripled, or quadrupled, but without the benefit of the quality assurance mechanisms needed for the many new programs, institutions, and types of students, and without the kind of information

required for parents and students to make informed choices. As a result, it is unclear if the expansion of the system has been accompanied by growing quality.

The contribution of education to the skills gap is not only a story of the uncertain quality and relevance of formal education. It also involves too little progress in providing workers with options for further training. Growing evidence shows that continuous adult education and training fosters employment and greater productivity. The development of this sector should accordingly be central to the region’s economic growth agenda, particularly in more advanced Western Balkan countries and countries that are facing a significant demographic decline—a decline that suggests that labor force participation and individual productivity will have to increase in order to generate higher rates of economic growth. Yet many of these countries have only started to prepare for an expansion of the adult training sector, needed not only to compete in the global economy, but also to address the lag effects of the transition to market economies. In light of growing employer demands for greater skills, adult education and training in Western Balkan countries can no longer be ignored.

Figure 1. Distribution of Firms in selected countries that Consider Worker Skills a “Major” or “Very Severe” Constraint, 2008



Source 1: Sondergaard, L., Murthi, M., Abu-Ghaida, Bodewig, C., Rutkowski, J., D., Skills, Not Just Diplomas: Managing Education for Results in Eastern Europe and Central Asia, The International Bank for Reconstruction and Development, The World Bank, 2012., p.4

Note: LI = low-income, MI = middle-income, x = % of firms (in respective countries) that consider education as an obstacle.

MANAGING EDUCATION SYSTEMS FOR RESULTS

To address the three impediments mentioned in the introductory part of the paper, countries in the Western Balkan region need to manage their education systems for results. First and foremost, they need to collect more information on “performance”, that is, what are students learning, what jobs they are finding, and what salaries graduates are earning. In addition, countries need to follow the lead of OECD countries and replace input oriented management of the education sector with performance-oriented management. This change implies devolving more autonomy to frontline providers and putting in place accountability mechanisms-for instance, performance contracts and performance-based budgeting-that emphasize results and performance, not compliance with norms. With greater availability of performance data and frontline providers empowered with greater decision-making power, the preconditions will be in place for education systems in the region to become both more responsive to labor market needs and more efficient.

Focus on Learning and Employment Outcomes

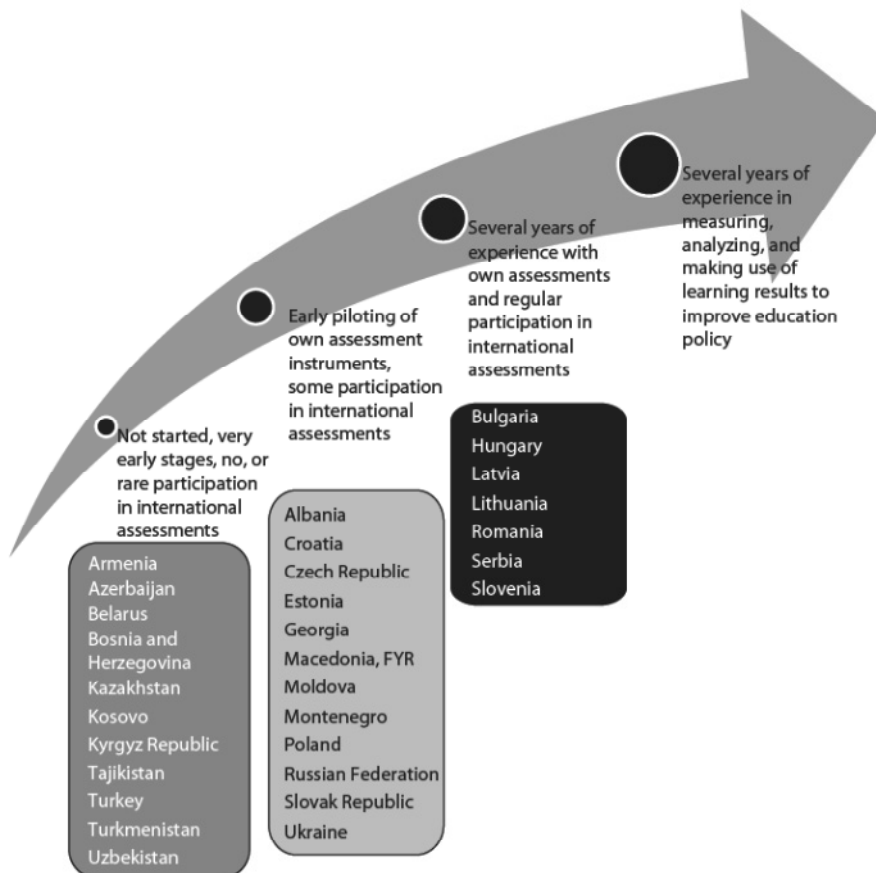
Better data alone does not lead to better-quality education. Partly due to difficult demographic trends and partly due to history, Western Balkan education systems have wound themselves in a knot that will be very difficult to untie without devoting greater attention to results. The legacy of central planning has created a system where bureaucrats manage the sector and schools in particular, by writing detailed norms into legislation and then micromanaging principals so that they comply with these norms.

Generations of managers have lived with this system for their entire lives. When asked to improve education system performance, they therefore reach for the tools that they have always used, either by revising norms or ramping up inspections. But, the solution is not to rewrite norms or expand the inspectorate. Rather, the solution is to reach for different tools. However, none of these “new” tools will work without better data on performance, data that answers the question: What are students learning and are graduates finding jobs?

The good news is that there is significant consensus on the key skills and competencies that basic education is expected to deliver, as well as standardized tests to measure them. Many countries already participate in international assessments, which are more useful when complemented by national assessments. Although almost all school systems in the region have national assessment systems, many of these systems are in the early stages of development (see figure 2) and there is very little evidence to date that any of countries are using these assessments to inform policy. Rather, national assessments continue to be seen as a certification

mechanism, one that confirms a student has gained a mastery of a predetermined curriculum, thus enabling a diploma to be issued or the student to progress to upper secondary or tertiary education. Student assessments are rarely seen as an opportunity to identify the strengths and weaknesses of an education system.

Figure2: Status of Measuring and Using Data on Student Learning Outcomes in the ECA Region, 2009



Source 2: Sondergaard, L., Murthi, M., Abu-Ghaida, Bodewig, C., Rutkowski, J., D., Skills, Not Just Diplomas: Managing Education for Results in Eastern Europe and Central Asia, The International Bank for Reconstruction and Development, The World Bank, 2012., p.4

When students graduate, ministries of education in the Western Balkan region do not systematically collect, analyse, and disseminate information on their employment outcomes. Such information is, however, critical for policymakers and higher education institutions because it helps them detect which programs and fields of study are in high demand among employers. Moreover, these data can help students make

better choices about which university and field of study to pursue. Again, some member countries of the OECD (including Hungary, Italy, and the Netherlands), together with Romania, provide examples in this area for others to emulate.

At the tertiary level, data on employment and learning outcomes are also needed to shed light on how the sector is performing from a skills perspective. Currently, data on tertiary outcomes focus on research outcomes, such as how many publications the faculty of a university is producing. Unfortunately, when this is the only performance indicator available, it inadvertently receives more attention than it should. Indeed, rankings of universities in the region place significant weight on the number of publications that they produce.

However, from a skills perspective, the outcome that matters most is whether students are graduating with the competencies in demand on the job market and finding jobs. Currently, these outcomes are not being measured, and, unfortunately, an international standardized learning assessment for tertiary students is not expected to be launched by the OECD until 2016. Thus, to gather the necessary data now-when it is needed-Western Balkan countries will need to begin with their own, domestically developed approaches.

There are several complementary ways of providing more information on the performance of the tertiary sector, some of which are more direct than others. These include rankings or league tables, tracer studies, and direct measurement of student competencies via standardized tests. One way that Western Balkan countries might begin to measure the learning outcomes of tertiary students would be to introduce standardized testing within fields of study where these outcomes have been clearly defined by the National Qualification Frameworks which have been built in most countries (e.g., for graduates of nursing programs). Alternatively, Western Balkan ministries of education might define and measure a set of broad competencies that all tertiary graduates are expected to have. The OECD's DeSeCo project (OECD 2005c) could provide a starting point for the definition of such broad competencies.

Introduce Autonomy and Accountability Based on Results

Overcoming the legacy of central planning involves moving away from detailed norms and instead holding actors accountable for *performance* (or results). At the central level, this implies that policy makers in the Western Balkan region would relinquish certain duties and assume others so that education systems may innovate and improve student learning outcomes.

The opportunity before central governments in these countries is to move away from micromanaging schools and classrooms and focus instead on setting goals, policies, and standards; defining responsibilities; mobilizing financial resources; ensuring political consensus; targeting poor and excluded students; and monitoring and

evaluating service delivery and system quality. Extending autonomy throughout education systems means placing authority and responsibility in the hands of the people most able to innovate and improve the quality of education: local managers and education authorities (see Osborne and Gaebler 1992). It also means holding these actors accountable for improving the learning outcomes of the bulk of their students. Aligning the incentives of these stakeholders with the student learning outcomes desired by policy makers requires education ministries to set overall performance goals; articulate who is responsible and accountable to whom and for what; and ensure that these responsibilities are agreed, accepted, and understood.

At the pre-university level, policy makers can expand the autonomy of lower-level actors in the school system by granting them greater decision making power over school operations and budgets and relaxing norms on class sizes. Greater autonomy is particularly needed in vocational education and training, where programs and institutes need the ability to expand or contract course offerings in response to student and employer demand, not rigid governmental norms. Simultaneously, policy makers will need to implement a range of accountability mechanisms to hold schools accountable for results. Potential mechanisms include the creation of school councils that involve parents and local communities in school decision-making processes; requiring schools to prepare school development plans that outline each school's strengths and weaknesses, together with an action plan for making improvements; preparing "school scorecards" that include basic indicators on a school's performance; as well as sanctioning low-performing schools and rewarding high-performing schools. Here, however, it is important to define a high-performing school as one that delivers improved learning outcomes to all types of students, including those from low-income and minority households.

In general, the weaker a country's national assessment system, the more it will need to rely on more qualitative measures to assess school performance. It is important to stress here that utilizing information on student learning outcomes to strengthen accountability does not necessarily imply "paying for performance" or conducting tests that have very high stakes for principals, local authorities, and teachers. If not carefully designed, such an approach could create exactly the wrong incentives for improving learning. Rather, policy makers should use performance data to identify both schools that need greater support and schools that offer successful models for innovation.

Significant improvements in the direction of greater autonomy and accountability will, however, be difficult to achieve in the school system unless policy makers in the region address the demoralization of the teaching force, an effort that will involve resolution of serious overstaffing and improving the pay, professional development, and work conditions of teachers.

Most countries in the region have shied away from adjusting teaching staff levels in response to declining student numbers, even in contexts where per student financing provides powerful incentives to reduce teacher numbers. Addressing this inefficiency will free up funds for more classroom learning materials. Judicious use of retirement

incentives for older teachers and stronger redundancy or retraining packages for departing teachers or both may make departures more acceptable. Countries now in the process of reducing teacher numbers (e.g., Bulgaria, Latvia, and Romania) may provide valuable lessons in this area.

At the tertiary level, policy makers in most of the Western Balkan region have already granted substantial autonomy to institutions of higher learning, which now manage their own budgets and make important managerial decisions about their respective institutions. This autonomy has helped create some (but not all) of the conditions needed to improve the quality of course offerings and pedagogy with the goal of preparing students for the world of work. Policy makers have also begun to use financing incentives to “steer” these institutions towards education of greater quality and relevance to employer needs. In fact, considerably more countries in the region have adopted per student financing in the tertiary sector than in the pre-university sector. In terms of accountability, all countries in the region (with the exception of Kosovo) have become signatories to the Bologna Process, which aims to make academic degree and quality assurance standards more comparable and compatible across Europe.

Today, the challenge of tertiary education systems in Western Balkan is to wield the instruments of autonomy, accountability, and performance based financing more effectively with the goal of rapidly improving the quality and relevance of higher education. As noted earlier, most of new EU member states and, to a lesser extent, countries in SEE, the Russian Federation, and Ukraine, have devolved a fair degree of autonomy to tertiary institutions and have taken initial steps toward flexible financing. However, this group has lagged behind in establishing effective accountability frameworks. Certain countries in SEE have retained more centralized control over tertiary education systems and would benefit from moving ahead to introducing greater autonomy, flexible financing, and accountability mechanisms.

Indeed, it makes little sense to delay in enhancing accountability in the tertiary sector. In the first place, greater autonomy and flexible financing will be ineffective without mechanisms that hold education providers accountable for the quality of the education that they provide. In the second place, it takes considerable time to develop and implement these mechanisms effectively. Many countries that have moved ahead on flexible financing and autonomy without strengthening accountability have later had to claw back control over tertiary institutions—a process that can be politically difficult.

Strengthening accountability at a minimum means safeguarding basic integrity in higher education. On the financial side, this means preventing embezzlement, fraud in public tenders, collusion, and the hiring of unqualified family members, among other practices. On the academic side, this means preventing examination fraud, unethical faculty behavior, noncompliance with admission standards, research fraud and plagiarism, and fraud in the quality assurance process (Salmi, 2009). With the exception of a few new EU member states, evidence suggests that higher education institutions across the region continue to struggle with these basic integrity issues.

While integrity problems are widespread, that does not mean that policy makers need to resolve these problems *first*, before they make progress on accountability in other areas. The great temptation in the region - given its tradition of central planning and central control of universities - is to fix integrity problems through even stronger centralized control and management (e.g., requiring that every hiring and procurement decision be reviewed by the central education ministry). Rather, policy makers need to embrace solutions that show promise in terms of addressing basic integrity *and* strengthening accountability. The good news is that most of the instruments that help improve basic academic and fiscal integrity also strengthen accountability for desired outcomes and the efficient use of resources. Looking at the different options illustrated in table 1, it is clear that strengthening accountability in the tertiary sector can be a long and difficult process.

Table 1: Tools for Strengthening Academic and Fiscal Integrity in University-Level Institutions

Tools that strengthen academic integrity...	Tools that strengthen fiscal integrity...
<ul style="list-style-type: none"> • Licensing 	<ul style="list-style-type: none"> • Financial audits
<ul style="list-style-type: none"> ... and educational quality 	<ul style="list-style-type: none"> ... and efficiency of spending
<ul style="list-style-type: none"> • Accreditation/academic audits/evaluations • Public disclosure laws • Fostering outsiders to review academic integrity (e.g., Romania) • Performance contracts based on performance indicators • Creation and dissemination of rankings/benchmarks 	<ul style="list-style-type: none"> • Public disclosure laws • Strategic budget plans • Performance contracts based on performance indicators • Student loans/scholarships/vouchers • Embedding incentives into allocated resources (e.g., tying funding to the number of students enrolled or graduated, rewarding good performers, etc.)

Source 3: Sondergaard, L., Murthi, M., Abu-Ghaida, Bodewig, C., Rutkowski, J., D., Skills, Not Just Diplomas: Managing Education for Results in Eastern Europe and Central Asia, The International Bank for Reconstruction and Development, The World Bank, 2012., p.215

Building an effective accreditation agency or a national quality assurance system, for example, is a long-term proposition. Building the capacity of a national quality assurance agency to fully meet its mandate is a challenge for all countries in the Western Balkan region. Many smaller countries, for example, simply do not have the in-country capacity to conduct effective national quality assurance. Here, coordination across countries and closer integration with external quality assurance agencies may be important to support the development of national capacity.

In light of these challenges, countries would be well-advised to follow a two-pronged process to strengthen accountability: first, build an effective quality assurance system that ensures tertiary institutions have the minimum levels of inputs and

processes needed to provide a quality education; and second, emphasize greater transparency and information dissemination, so as to strengthen student choice (e.g., by developing rankings). These two approaches are complementary to one another.

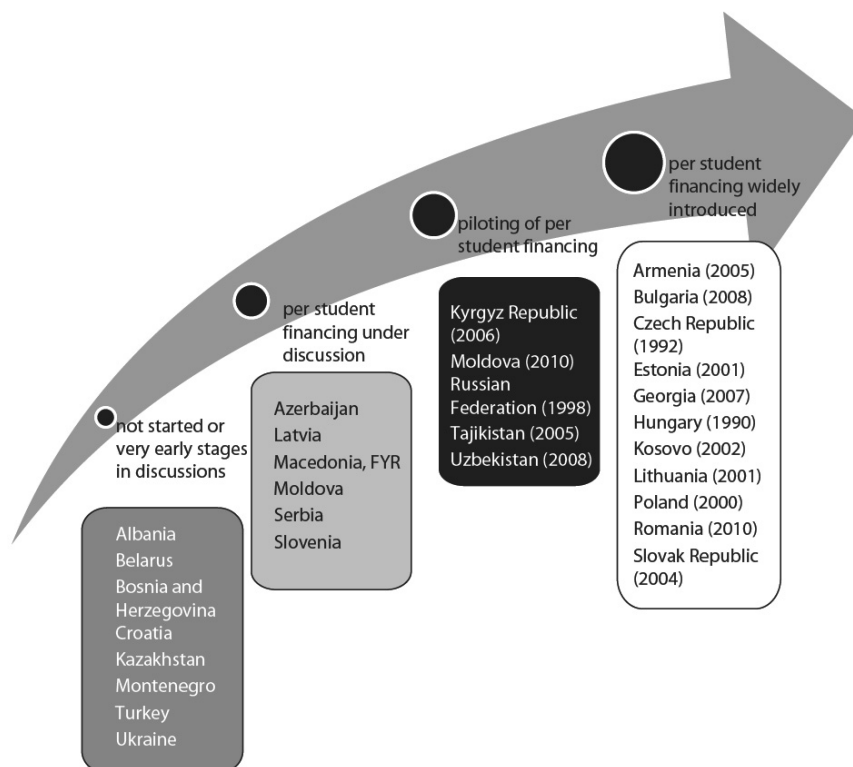
As noted earlier, most Western Balkan countries are signatories to the Bologna Process. Proper implementation of its 2005 Standards and Guidelines for Quality Assurance would go a long way to putting in place the building blocks of an adequate quality assurance system. A large number of countries in the region have not, however, begun the process of strengthening external quality assurance. In fact, a number have treated the strengthening of quality assurance within higher education institutions (so-called internal quality assurance) in a rather cavalier fashion. For the five Western Balkan countries that are not yet signatories, aligning themselves with the Bologna Framework would be beneficial.

Improve the Efficiency of Resource Use through Performance-Based Financing

Managing school systems for performance means moving away from inflexible line-item budgeting towards greater use of delegated budgets, with incentives for maintaining enrollment and attendance (i.e., per student financing—a path on which the majority of Western Balkan countries have already embarked). More flexible, smarter financing in the form of block grants (i.e., contract- or performance-based) can also provide funding to local education in return for meeting agreed learning outcomes. Not only does this type of financing give local education authorities much-needed flexibility that input-based budgets do not permit, it keeps them focused on student results.

At the pre-university level, countries in the Western Balkan region are at different stages of introducing per student financing (see figure 4); the experience of those that have gone farther can provide lessons for countries that have yet to start on this path. Whether per student financing actually results in greater fiscal efficiency and an increased focus on student learning outcomes depends on the financing formula used and the broader context in which it is implemented. If, for example, a financing formula mirrors current unit costs of different localities, it may simply perpetuate an inefficient delivery model. In the Slovak Republic, per student recurrent costs are 100 percent higher for upper secondary vocational education and sports education schools than for gymnasias (upper secondary academic schools). These differences in unit costs, however, are largely caused by differences in class sizes and teaching loads, factors that should not necessarily be encouraged to continue (World Bank 2009b). By contrast, countries that have devised simple, transparent formulas which reflect the real costs of schooling have created strong incentives for school consolidation, increased class sizes, and a rebalancing of educational spending from wage to nonwage components.

Figure 3: Progress Towards Results-based Education Financing in the ECA Region, 2009



Source 4: Sondergaard, L., Murthi, M., Abu-Ghaida, Bodewig, C., Rutkowski, J., D., Skills, Not Just Diplomas: Managing Education for Results in Eastern Europe and Central Asia, The International Bank for Reconstruction and Development, The World Bank, 2012., p.217

At the tertiary level, several countries (for example, Poland and Romania) have already adopted per student financing, shifting their focus away from inputs and toward outputs. The remainder of countries in the region will need to introduce performance-based financing to improve the efficiency of spending in this sector. Beyond per student financing, there is still relatively little use of “performance contracts” and “performance-based budgeting” in the region (see OECD 2007c). Such contracts (and budgeting arrangements) could be put in place between the ministry of education and universities, or simply between the ministry of education and its key agencies (which are charged with various roles in the management of the university sector). Most ministries of education in OECD countries have moved toward such arrangements to enable ministries to focus on strategy and system monitoring rather than day-to-day operational details.

Another important move in terms of financing would be for ECA countries to consider more cost sharing at the tertiary level. Indeed, if ECA countries want to simultaneously raise participation rates and increase the quality of tertiary education, more private resources will also be needed-the cost pressures facing higher education in the region are simply too great. Mobilizing private resources will help strengthen results-oriented outcomes in the tertiary sector in two fundamental ways: (1) by increasing competition, as more nimble and innovative private providers help bring innovations to public providers; and (2) by increasing students' connection to the education process.

When students and parents pay tuition fees-whether to a public or a private provider-they are generally more demanding about the quality and relevance of the education provided. There is no single ideal level of funding for higher education and no single ideal mix of public and private funding sources. Different countries will make different kinds of trade-offs.

CONCLUSION

Reforming education systems in the Western Balkan region so that they deliver higher-quality and more relevant education to the majority of students will go a long way towards addressing the skills gap that many countries in the region face. Although the recent economic downturn has diminished the demand for labor and skills. Skills shortages will likely reemerge once growth picks up again. The process of reforming education will take time; consequently, Western Balkan countries should not wait to begin.

Many needed changes-assessment systems that measure what students learn, changes in the size and remuneration of the teaching force, and strong quality assurance systems are not without cost. Given that economic growth is expected to be lower and fiscal constraints tighter in the near to medium term, Western Balkan countries will have little choice but to free up resources that are currently funding existing inefficiencies in their education systems, particularly those associated with school infrastructure and staff levels designed for much larger student populations. More resources will also need to be raised from outside the education system, especially at the tertiary level.

For movement of education systems away from an emphasis on inputs and processes to an emphasis on improving the learning outcomes of the majority of students, much more measurement of student learning outcomes is needed at all levels of education. This data must then be used in the policy process to identify strengths and weaknesses and help formulate appropriate policy responses. As the role of central governments is redefined to focus on strategic policy, system goals, and regulation, central policy makers can articulate clear goals for their education

systems and use incentives to manage lower-level actors in these systems to meet these goals. In schools, this means greater use of per student financing, more autonomy, and greater accountability for learning outcomes. At the level of higher education, this means strengthening national quality assurance mechanisms in the short and long term, greater dissemination of information (e.g., rankings) to inform student choice, greater performance-based budgeting, and, where warranted, greater institutional autonomy.

The economic crisis provided many countries in the region a reason to initiate reforms, particularly those linked to the financing of education. Under pressure to reduce spending, countries such as Romania, Poland, Serbia, and Latvia introduced per student financing in their general education sectors (covering primary and secondary education). This policy is likely to result in greater efficiency and open the way for future spending increases to focus on improvements that enhance the quality of education. These countries will, we hope, establish a path that can be followed by countries that have not yet focused on increasing the efficiency of educational spending.

Increasing demand for skilled labor as growth picks up, accelerating technological change, and significant demographic decline will soon make modern adult education and training systems an imperative in many countries in the region. Although building such systems is critically important for reskilling adult workers and retaining workforce productivity, its overall priority in individual Western Balkan countries will depend on their specific economic and demographic conditions.

While the economic crisis offered opportunities for reform, it also made certain reforms more difficult. Both Bulgaria and Romania, for example, slowed the introduction of student loan programs, which are important for raising tuition fees and diversifying the sources of tertiary funding. Whatever measures countries in the region decide to adopt, it is important that they continue to build learning assessment systems and monitor and evaluate the impact of reforms on desired learning outcomes. This approach offers the only way to determine whether reforms have the intended effect, whether course corrections are needed, and whether funding is achieving the ultimate goal of education systems in the region: delivering the skills and competencies needed in the labor market.

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EMPLOYMENT AND EDUCATION, THE MAIN DETERMINANTS OF ECONOMIC DEVELOPMENT

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Abstract

Serbia entered in the process of transition very late, almost at the end of the twentieth century. There have been reached a lot of positive and negative economic effects of transitional process, that are followed by high costs, which all the society had to pay for, primarily by decline in the quality of education and employment, which greatly affected the economic development. The aim of this paper is to highlight the need for harmonization of strategies and educational development with the planned economic trends and developments, and harmonization of the needs of the labor market and employment. New system of education must be in function of economic growth, and thus the reduction of unemployment. Contemporary global processes, globalization, interdependence of countries in various spheres of social life, including education, imposed the need for mutual cooperation in the direction of the reform and in finding new models of education that would be compatible with the education systems of developed countries, and that would primarily be in the function of the needs of citizens of a country, that is highlighted in this paper.

Key words: *employment, education, entrepreneurship, knowledge economy, economic growth, resources, labour.*

INTRODUCTION

In economic theory and policy of economic development, employment, education and entrepreneurship are very important factors of economic development and economic prosperity of any country. There is a close correlation of these economic phenomena and economic development. Higher level of employment, education and entrepreneurship contributes more dynamic economic development and vice versa, rapid economic development creates conditions for higher employment, higher levels of education and entrepreneurship.

Keyns also pointed out about complete interdependence between economic growth, employment, and education. We can talk about the multiple ecoeconomic effects of these economic variables. One of them can be that increased employment affects demand. It provides increased sector diversification of production with significant economic savings of which depends rational economic activity of the branches and sectors of production. Thus, higher employment, among other things, is the crucial factor of the internal market expansion.

One of the main causes of regional differences and regional economic disparities are differences in the level of employment and level of education. Due to mass unemployment during the expansion of the economic crisis and transition in Serbia and other less developed economies, much of the work-age population appears only as a consumer, spends part of the national income, and do not participate in the production of goods and services.

Thus, today there is a necessity for changing of the current model of economic development in under-developed countries, especially changing pattern of education that would be compatible with the needs of the economy and the growing needs of a given society.

This paper is structured in four parts. In the first part of the paper is pointed out the unemployment rate in Serbia, the movement rates of employment, unemployment, and the causes of the fall in employment. In the second part of the paper is pointed out on education as a very important factor of economic growth. In the third part is pointed out the knowledge, as it is now the fifth most important factor of economic development. In the fourth part of the paper is pointed out the development of entrepreneurship, with a special focus on the essence of entrepreneurship.

UNEMPLOYMENT IN SERBIA-MAIN DEVELOPMENT PROBLEM-

In every society, the resources of work are made of the active population or available labor with its knowledge, work and creative abilities, which are used in the creation of goods and services, and which are, by definition, included in the domestic product. Employment is a labour input in the economy. Without labor, without human labor efficiency any kind of production is not possible, or growth and development. A person is considered unemployed if he has no job and if he is actively looking for it. People who are out of work and discouraged workers are not included in the labor force.

Greater share of active population in the total population is indicator of greater potentials of a society, while a lower share of agriculture population in total population is indicator of higher productive capacity of a given society.

Until recent date of economic development of Serbia, labor and education are not fully understood as essential factors of economic development. This is indicated by fact that many economists stated that employment is very often put at the bottom of the list, which had multiple negative effects on economic growth. "How can one explain the indifference of the ruling structures in our country by this extremely important socio-economic problem? The reason is the belief that hiring and employment are not economic but social and therefore less important problems. Another reason is that the survival of the government, does not depend on the situation of unemployment and mood of the unemployed, since they do not depend neither on the mood of employees themselves"

In the last three years, economic policy of Serbia is implemented in the macroeconomic environment less favorable than before 2009. There is no difference of the macroeconomic environment of Serbia today and the macroeconomic environment of many world economies. The reason for this could be found in the world economic crisis that has escalated in the end of 2008. The global recession has had a major impact on both the European economy and the economic development of Serbia. Due to the significant reduction in demand, economic activity has declined, and due to a reduction in investment funds the economic growth has been significantly slowed.

Industrial systems are most affected due to the recession in underdeveloped countries such as Serbia. Crisis of 2009 backward the entire Serbian transitional growth of manufacturing, the number of employed in the industry has been cut in half, which had a negative impact on social and economic development.

EU economic response to the global recession has brought new growth strategy by 2020. (Europe 2020), based on competitiveness, sustainability, education, knowledge and innovation.

Taking into account the problems caused by the economic crisis, Republic of Serbia has prepared the Development Concept of Serbia until 2020. - Serbia 2020, which is aligned with the strategy Europe 2020 in order to ensure coordination of economic and other objectives of the country's EU accession process.

Table 1. Europe indicators 2020- situation and development goals

	EU 2010	EU 2020	Serbia 2010	Serbia 2020
employment of the population from the age 20 to 60 (%)	68	75	49	65
the investment in research and development (% GDP)	1.9	3	0.3	2
The energy consumption from renewable energy sources in total energy consumption	16	20	12	18
Energy Efficiency	0.21	0.17	0.96	0.57
Population from 30 - 34 with a university degree poverty rates below 60 % of median disposable household income	31	40	21	30
poverty rate (below 60 % of median disposable household income)	16	12	17	14

Source: Europe 2020, Statistical Office of the Republic of Serbia, 2011.

As can be seen from Table 1, the Serbian Development Goals relating to employment and investment in knowledge and technology by 2020 are:

- increasing the number of employees -65% of the population from 20 – 64;
- investing in knowledge and technology - 2% of GDP per annum investment in research and development, which were collected from the private sector and 6% of GDP annually invested in the development of education

The decline in employment and rising unemployment in Serbia in the nineties of the twentieth century, also continued in the first decade and the beginning of the second decade of the twenty-first century. Total labor market in the period 2009-2012. was strongly influenced by the economic crisis. In addition, there are other reasons for this negative employment trends in the Republic of Serbia. They lie in:

- Accelerated process of restructuring state-owned enterprises;
- Adapting private sector to the crisis, downsizing;
- Disaffiliation of the public sector to the new macroeconomic conditions with the predicted downsizing in administration;
- Transitional restructuring, which led to intense liberation of surplus employees in privatized companies;

- The current model of growth in which employment and education were neglected;
- Steady decline accumulative and reproductive capacity of the Serbian economy. In the literature, there is well known correlation between the growth rate of accumulation and growth rate of employment and investment in education. The requirement for increased employment and spending on education means increased accumulation and vice versa. In terms of weakening of accumulative capacity of economy there comes to reducing conditions for job growth and reducing in unemployment, which has an effect on the spending for education.

Employment and Unemployment rate

As we can see from this analysis, the main problems of high unemployment are transferred from the pre-transition period, and even more came to the expression in the further course of privatization, enterprise restructuring and economic crisis emerged in 2008.

The analysis of employment rates shows that in the period 2006-2008. This indicator shows a positive trend. However, during 2009. the employment rate in Serbia fell from 3.3% in 2010. to 3.2 % over the former year. Total number of employees are decreased by 8.4 percent in 2010. compared to 2009. or from 2,616,437 people to 2,396,244 people

Table 2 Unemployment rate

	2006	2007	2008	2009	2010
EU-27	64.5	65.4	65.9	64.6	64.6
Bulgaria	58.6	61.7	64	62.6	60.6
Czech Republic	65.3	66.1	66.6	65.4	65.4
Hungary	57.3	57.3	56.7	55.4	56
Poland	54.5	57	69.2	59.3	60
Romania	58.8	58.8	59	58.6	60.2
Slovenia	66.6	67.8	68.6	67.5	66.3
Slovakia	59.4	60.7	63.3	60.2	59.2
Croatia	55.6	57.1	57.8	56.6	54
Macedonia	39.6	40.7	41.9	43.3	44.2
Serbia	49.9	51.5	53.7	50.4	47.2

Source: Statistical Office of the Republic of Serbia, 2011

As it can be seen from the table 2, in 2010, in the countries of the region, the highest employment rate of 66.3% was in Slovenia, while rate of employment in Serbia was only higher than in Macedonia, which employment rate in 2010 was the lowest then all the countries in the region.

Among other economic factors that have had an impact on reducing the rate of employment, the global economic crisis that has escalated during the 2008., had a very strong impact on employment. After a period of decline, the unemployment rate begins to grow again.

According to the data from Statistical Office of the Republic of Serbia, total number of unemployed increased in 2010. by 13.1% compared to 2009. or the 502,982 unemployed in 2009. The number of unemployed rose to 568,723 persons in 2010. According to the statement from Statistical Office of the Republic of Serbia, the unemployment rate in Serbia in April 2012. was 25.5%, which is 3.3% more than in the same months of 2011. and the highest since 1998. Since the outbreak of the crisis from 2008 to 2012, unemployment rate in Serbia has increased by more than 11%, and about 600,000 people lost jobs. The employment rate, which is the percentage of employees in the total population aged 15 and older, also fell. Unemployment rate in the EU is also increasing, in April 2012. it was 10.3% and the highest was 24.3% in Spain.

THE EDUCATION IN THE FUNCTION OF ECONOMIC DEVELOPMENT

The education is one of the most important and most complex segments of human resource management. One of the conditions for economic growth and development is general literacy of the population. In other words, the illiteracy of the population is one of the limiting factors of economic prosperity, growth and development. Productive capacity of any society depends not only on the labor supply, but more on the level of education and qualification structure. Today, at a time of scientific and technological revolution, the role and importance of education is particularly emphasized. Nowadays, education represents cost-effective investment, because the effects of investment in this resource are manifested in safe investments and profits in few years. It is the most important resource in the modern world.

In the new European strategy“ Europe 2020“, investment in education is first priority. It is especially insisted on establishing strong ties between employers, institutions responsible for education, scientific institutions in the respective areas and the labor market. These ties are necessary to ensure that education follows the needs of employers with the level of technological development of the industry. According to this strategy, it is essential that investment in education is treated in the same way as investment in capital equipment.

However, in this paper we wish to point out the problem of training the necessary labour for whom there is an interest in the economy and society. Specifically, according to the National Employment Agency, over 25,000 graduates are waiting for a job. In our opinion the state should be blamed for the lack of educational system and the needs imposed by society and economy. Because of that Serbia has too many educated people in special areas and small need for them. For years, nobody is thinking about that there is need to educate people in the areas economy and society need.

With establishment and accreditation of a large number of high education institutions we come to „ production“ of unnecessary personnel, who are already on the list of unemployed for years. On the other hand, when a young man with a degree manages to get a job, he has to survive hard because his general knowledge is not improved, and he still has little experience. The problem is that employers are looking for willing workers, who know to perform certain tasks permanently, and young people are often not able to work.

So in the future, the concept of education in Serbia should be in line with the needs of the enterprises and the whole society, and should be determined by the specific learning needs, selection of an appropriate model of education, selection of teachers, active participation of students and permanent control of the effects of education.

Therefore, all developed countries consider education and human resource development to be a national priority, and they apply those models of education that contribute economic and social development to each other. For example, Japan applied the strategy development in 1980. Instead of investing in heavy industry, petrochemical industry, the focus has changed towards investment sectors of the economy that began in the knowledge that consume little energy and raw materials. The results are known, we should not comment on them. The same is the case with the U.S., UK and other developed countries. They are an innovative society, because they are investing significant resources in education and science, in which there is highly valued individuality, creativity and the ability of individuals and organizations.

Another key issue of Serbian economy is the low level of education and investment in human resource, research and technological development as the base of economic growth. For education is earmarked around 4.5% of GDP and 0.3% for science, and more than 90% of these funds go to salaries of employees in these sectors.

Therefore, in their concept of development by 2020, Serbia projected much higher budget for these sectors, because that it is one of the important goals of the country's EU accession process.

KNOWLEDGE ECONOMY

Today in the world of economy, there are two parallel economies: traditional or industrial economy and the knowledge economy. They are not mutually exclusive, but are very different. Knowledge economy is more complex and a wider phenomenon than simple understanding that the digital economy is economy that is linking production with the use of computer and telecommunications technology. Information becomes essential business resource in the knowledge economy. Production activities are moved from the intangible into tangible sphere, and the use of this resource is increasing; that is not the case in the industrial economy, in which we have a calculation of costs and depreciation. In the value structure of companies in developed countries, there is an increasing share of the so-called intangible assets or intellectual capital. While the share of tangible assets (tangible value) are increasingly falling. Therefore, the value of a successful company is estimated several times more than its book value, or the balance sheet, which still measures only material resources.

In the knowledge economy, the business requires a completely different organization. Organizational innovation creates the conditions for the flow of creativity and ideas. Ties in the organization of the new system are better with a faster flow of information between the elements of the organizational structure of the new system. While the former head of the traditional companies have the task to bring the order into chaos, in the knowledge economy comes a reversal of the situation today, that in the knowledge economy is not a negative phenomenon, but the field for expressing creativity.

The first and most important step in the knowledge economy is attracting, training, and hiring the best employees and the creation of intellectual capital.

The second step is to build and strengthen the human capital in order to develop knowledge and working skills in organisations at all levels and in all specialties, and to be able to demonstrate their capabilities and provide maximum joint contribution.

The third step in the knowledge economy is that company provides a working environment and reward system to keep their best people.

Therefore, in addition to labor, capital, knowledge and entrepreneurship education becomes fifth, and now the most important factor of economic development.

Innovative Research and Development

Innovations are essential for the establishment of a modern economy. The word innovation comes from the Latin word *novus*, which means new. Basically the idea is innovation or discovery is the result of a creative process. According to Gregory G. Dessi into sources of new knowledge are "new technology, the results of experiments, the results of creative research and the information of competition".

According to prof. Dasic, science and scientists will become the vanguard of a new society, and science and technology in the modern world, the basis of scientific and technological progress, whose development is unthinkable without the knowledge and technology transfer. No branch of science and technology has not been developed at this rate as is the case with information technology. In developed countries, information workers occupy more than 70% of jobs, which means more work on the "head" instead of the hands. The increasing miniaturization and price reduction in computer technology have brought that today a laptop-sized briefcase becomes multi-tens of times powerful and thousands of times cheaper than the first computer ENIAC, which was the size of the entire floor. It is only to imagine what kind of standard would be if the other scientific and industrial branches were at the same intensity as the computer branch and that the downward trend in prices of other products would be similar to computers. Today a Rolls-Royce car would cost 2.75 dollars, which it would consume a liter of gasoline at 10,000 miles. Planes would consume only 20 liters of kerosene, while a trip around the world would last only 20 minutes.

The concept of social development and scientific and technological progress that is directed towards the knowledge society, in the middle of the action figures and puts its knowledge with the application of information technology, especially information and expert systems, computer networks and the Internet.

Knowledge society and knowledge-based society in the European Union is the latest initiative managed by the European Commission (EL). Modern society is a society of knowledge specialists - experts. It must work in teams on the basis of equal rules. Otherwise, there is no effect. The knowledge society is not a society called. "Heads" and "child" but a team of experts – cooperants.

According to the European Commission, Serbia is at the 29th in the 34 European countries that belong to the last group of (IV) countries with a modest degree of innovation, and a modest level of impact on the economy.

ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurship can be defined as a set of activities, based on the practical application of heterogeneous knowledge in order to carry out appropriate economic production and service activities.

Historical practical way of entrepreneurship has found its theoretical expression primarily in economic theories. Entrepreneurship experiences full progress under liberal capitalism. Later, entrepreneurship experiences slowing down in the phase of monopoly capitalism when there was period of the rise of many multinational companies

So, for example, Smith (1776) describes entrepreneurship in the context of his theory of the "invisible hand"- irreplaceable role of the individual and their needs and interests in certain of the activities and enterprise in the economy.

Marks connects entrepreneurship with the owner of the capital, the capital is chosen by capitalist and his affinity of higher profit as motive or entrepreneurial profit

Marshall (1890) emphasises the freedom of activity, ie. on entrepreneurship in terms of greater independence and self-confidence, more freedom of choice.

Schumpeter (1911) is rightly called the father of the theory of entrepreneurship. According to him, the entrepreneur is an agent of change and development, innovation, and resources. For Schumpeter, the entrepreneur does not organize production process in terms of established technologies, but the driver of innovation achievements. Coordination activities and organizations he puts on manager. So, it clearly underscores the difference between owners and entrepreneurs on the one hand, and entrepreneurs and managers on the other.

A shift from to managerial economics to entrepreneurial economy has come precisely because of the development of science and engineering and technology.

What today is characterized by entrepreneurship, is the propensity to innovate. Innovations are precisely the essence of entrepreneurship. The most important features of entrepreneurship in today's conditions are innovative, sensible risk-taking, self-reliance, hard work, ability to achieve the goals and responsibilities.

Innovation should be seen as a process rather than an act. Model for the functioning of the innovation process at any level of concentration is very important factor in the scientific activities of several research centers (science parks), including plans for the development of innovative economic development plans, associating and linking research institutions to economic development units. Information and markets play particular importance of entrepreneurship to the economy. Due to the risk and uncertainty in a market economy, information provide quality decisions, provide opportunities for market selection and planning for the future.

CONCLUSION

The economies of many countries are shifting today from the extensive growth model, which is based largely on increasing the number of employees and size of investment, to the new intensive model of economic development, which is primarily based on the activation of new knowledge, research and business information. Knowledge economy, intellectual capital are becoming the main source of wealth of the modern world. Continuing education and the production of new knowledge, development and training of employees, must be guided by the needs of enterprise development and society. Quality of education or knowledge is measured not only by certificates of workers, but also by the ability to apply their knowledge in practice. Therefore, education must be in accordance with the needs of society as a whole, which will result in a higher rate of productive employment.

In today's economic trends, knowledge, innovation, creativity, new ideas and information are vital wealth and productive resource that is able to contribute significantly to the social and economic growth and development.

Based on the number of evaluations and negative indicators presented in this paper, it can be concluded that the economy of Serbia will have profound developmental changes. Beginning of the 21st century was marked by certain changes in Serbia. First of all there is the opening of the economy, the functioning of markets and the privatization process, but on the other hand, and falling employment, and inadequate education system.

The main priority for the development of the economy and the whole society must be based on knowledge as basic development factors. Such orientation includes those sectors that have the potential for development, where our economy has already gained some experience necessary in manufacturing and other knowledge, which would serve as the new employment and overall economic development.

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REGULATION OF EMPLOYMENT IN THE ILO CONVENTIONS RATIFIED BY THE REPUBLIC OF SERBIA

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Abstract

Unemployment is one of the most significant social and economic problems in any society, and is particularly acute in developing countries and countries in the process of transition. At the national level, the issue of unemployment is regulated by a body of laws, regulations and, to an extent, autonomous acts. Because of the importance of the issue of employment, it has also been regulated on a global scale through substantive legal activity, primarily of the International Labor Organization through which a series of conventions and recommendations were passed relating to the aforementioned areas. The Republic of Serbia is legally specific in terms of accepting the Convention of the International Labor Organization, since its legal system mainly comprises conventions whose legal effects are established mainly through succession, through acceptance by states that are the legal predecessors of Serbia. Certainly Serbia is a unique country due to the fact that, in its legal system, most of the valid ILO regulations were adopted by a different, preexisting country. This fact certainly makes it more difficult to address the issue of employment in the ILO conventions that apply to the Republic of Serbia.

Keywords: *recruitment, employment, unemployment rate, legal succession of states, International Labor Organization, active employment policies.*

INTRODUCTION

Unemployment is, without doubt, one of the greatest contemporary socioeconomic issues. Therefore, all contemporary societies opt for conducting an active employment and self-employment policy as evidenced by the numerous measures and activities of the state's and quasi-state's bodies and institutions. To somewhat reduce the consequences of the problem, states increasingly allocate funds to promote a quicker employment policy. As part of the policy, programmes which promote the development of private initiative and private enterprises, i.e. the self-employment policy, are funded. The issue regarding the employment of the population able to work has been manifested ever since the existence of organized social work.

The International Labor Organization (ILO) is a specialized agency of the UN. The UN Charter considers the organization's specialized agencies established by the intergovernmental agreement and having wide international responsibilities as defined in their basic instruments (statutes, etc.) in economic, cultural, educational, health and social fields, to be connected with the United Nations (Article 57 paragraph 1 of the UN Charter).

Almost all UN member states, including Serbia, are ILO member states and the ILO along with the UN represents one of the largest global organizations. Therefore, it can be said that the ILO seeks the principle of universality both in terms of its organization and the number of member states and also in its aims because they are truly social and humane which, as will be seen, cannot be other than universal.

The listed distinct characteristics of the ILO are: continuity in work and activities within a time frame from 1919. to date, the universality of its massive membership, the general issues dealt with and the tripartite structure. (Jovanovic, 2012, pp. 91-92)

GENERAL REMARKS ON EMPLOYMENT

Employment primarily plays a part in the function of labor and production as a socially useful activity or field. Employment could be seen as a condition or social situation in which an individual capable of working independently, with other individuals or for another individual- employer, provides a specific socially useful activity, for which he/she receives an earning that provides a material base for him/her and his/her family, that meets personal and family needs and develops working and other abilities. However, there are a certain number of individuals in every society incapable of gaining an employment status. This doesn't include

people with disabilities but those who are able to work and cannot find employment or those who are currently or permanently unemployed. Therefore, employment is a state in which part of the population able to work isn't in the labor process. It is important to emphasize that the individual able to work desires to work, wishes to be employed, but the conditions in the society don't permit him/her because of various objective and other reasons.

On the other hand, employment is a process or procedure of joining the population which is able to work in a state into organized forms of performing (gaining) work. An individual gets to perform some socially useful activity by being employed and by carrying out the work which provides conditions for personal and family existence. Mainly, work must provide at least the basic needs for the family. This is especially true for those individuals whose sole material life and development takes the form of socially organized labor. Therefore, legally speaking, employment represents the process of a state citizen gaining rights to work.

GENERAL REMARKS ON THE ACTIVE EMPLOYMENT POLICY

The active policy of self-employment, among other things, encompasses an obligation of all relevant factors of society to contribute with their work and overall performance to the desired aims in the sphere of private sector initiative and private entrepreneurship. To achieve this aim successfully not only labor and other legislation reforms are sufficient but also corresponding changes in the sphere of credit, banking and tax policies. Certain changes have already been undertaken, but they are insufficient, which is why they should be further reinforced in the years to come. Furthermore, the unemployed need the necessary help in clarifying the present dilemmas and uncertainties related to private entrepreneurship and the policy of self-employment. People need to know what awaits them on the path which they take to acquire a job and life assets. Especially, since the choice comes with certain risks and nobody can guarantee success and the repayment of investments. For these reasons, help is welcomed for anyone opting for private business as to minimize possible risks to a reasonable level.

One of the main aims of the UN and the ILO, as explicitly stipulated in Article 55 of the UN Charter, is to ensure full employment. The ILO conventions regulate general issues concerning employment policy and measures to eliminate unemployment as well as concrete measures in some sectors of economy- marine, agriculture. Mediation in labor and employment is also carefully and precisely regulated.

The economic conditions in the market also impose development and strengthening of private entrepreneurship. Legislation is, among others, subordinated to these aims. Therefore, according to the provision of Article 203 of

the Republic of Serbia's Labor Law (RS Official Gazette no. 24 and 61/2005), an individual can independently engage in activities as an entrepreneur in accordance with the Law. Everything else is entrusted to regulation ensured by other laws or regulations.

"Flexible forms of employment are currently one of the most pressing labor law issues in the world. International Labor Organization (hereinafter ILO) has in recent years paid special attention to it, adopting a few documents in this area (Convention no. 175 on part-time work and the eponymous recommendation no. 182 from 1994; Convention no. 177 on home work, and the eponymous recommendation no. 184 from 1996, Recommendation no. 189 on Small and Medium Enterprises in 1998. Republic of Serbia and its predecessor states have not ratified or accepted by any of these documents.

The importance of this issue was not neglected by the European Union (EU), where in 1991 the Directive on Part-Time Work was adopted (which is based on a previously concluded collective agreement for the territory of the EU) and the Directive on Part-Time Work from 1999 (which is also derived from the European collective agreements). (Council Directive 1991/383/EEC: Council Directive 1997/81/EC; Council Directive 199/70/EC). In addition, Europe's biggest trade union organizations (UNICE, ETUC, CEEP) are negotiating the conclusion of the European collective contract on part-time work."(Jasarevic, 2006, p.93).

"Flexible forms of employment have resulted from the introduction of new technologies into the work process (automation, computerization, robotization) and the reaction of employers to the so called standard (typical) form of work." (Šunderić B, 2001, p. 244). The standard or typical form of employment is one in which the employer has established a full-time working relation with the worker. The introduction of new technologies had impact not only on the organization of work, but also on the employment system, i.e. labor relations. It was necessary to enable the adaptation of the working process to the new conditions and new demands posed by new technologies. What are the requirements? These are as follows: 1. raising productivity of work; 2. decrease of the share of labor in total product cost, 3. constant and full utilization of productive capacity and 4. thereby strengthening of the employers' competitiveness in the market. New technology reduces the need for labor.

In relation to this, an impact was made on the very essence of the basic idea of Labor Law - employment, so that there is a position that "in order to make the maximum use of the advantages provided by the new technology it was necessary to increase flexibility in the system of labor relations." (Šunderić B, 2001, p. 245). In this respect, it should be noted that there are some authors who consider the "flexibility has been introduced into standard employment. Within the standard employment flexibility has been introduced in the way that, instead of continual work during the working week and having the weekend rest, a working arrangement has been introduced whereas work occurs on weekend with free days during the working week, or work with an increasing number of hours during particular days,

especially weekends. Other changes were caused by new information technologies, by "dislocating" (transferring) the work of an employee to the employee's home or another location outside the employer's organization. (Brajčić V, 2000, p. 2), which, among other things, led to a maximum relativization of importance of two "trivial elements of employment", which are the duration of employment and (full-time) working hours.

In legal literature, especially in recent years, flexible employment is often contemplated. However, outside of these labor law considerations, for now remains the question of the content of the flexible forms of work and employment, and in particular one of these forms - employment of professional athletes. Undoubtedly, flexible employment is a continuation, an extension of the concept of employment in general, which V. Brajčić in the quoted section, p. 141, defines as follows: ".. the prerequisite for employment is employment as a process, and a set of measures aimed at founding the labor relation." From the point of view of our positive legislation, it is very illustrative to look at the speed at which certain events occur which relate to flexibility through examples of the most recent changes in our legislation with the view of equalizing the contents of flexible forms of work and standard (typical) working engagement.

THE INTERNATIONAL LABOR ORGANIZATION (ESTABLISHMENT, POSITION AND AIMS)

The International Labor Organization is one of the international organizations associated with the UN. Unlike the state which is more or less a unified type of social organization in a structural and functional sense, international organizations are extremely diverse phenomena. They are exceptionally diverse both in legal and organizational concepts and in their functions- operations dealt with and accomplished aims. Both are general and specialized in their territorial and activity scope. In accordance to membership criterion, they can be governmental, non-governmental or public organizations and when considering their legal nature they are mostly coordinated and supranational (an exception). When taking the number of members (scope) into account, they can be universal and regional. (Kreca M, 2011, pp. 523-524)

THE ESTABLISHMENT OF THE INTERNATIONAL LABOR ORGANIZATION

The International Labor Organization was founded in 1919. The ILO along with the Red Cross and the Universal Postal Union is the oldest international organization. The ILO Constitution is its supreme law. It regulates: membership and the withdrawal of membership, the organizational structure of the ILO, the jurisdiction of its organs and bodies and their composition, the adoption and implementation of Conventions and Recommendations, the application of international labor standards, the jurisdiction of the International Court of Justice in its interpretation and application of the ILO's Constitution and its Conventions, etc. The original text of the Constitution was adopted in 1919, modified by the amendments in 1922 which came into force on 4 June 1934; the amendments from 1945 which came into force on 26 September 1946; the amendments from 1946 which came into force on 20 April 1948; the amendments from 1953 which came into force on 20 May 1954; the amendments from 1962 which came into force on 22 May 1963 and the amendments from 1972 which came into force on 1 November September 1974.

Therefore, the specialized agencies of the UN are international organizations founded on international agreement, they are independent with an independent organizational structure and their activity is limited to a social and economic plan. (Sunderic, 2001, p.60).

The ILO was primarily organized as a non-governmental organization, as was already mentioned, at a Peace Conference in Paris in 1919. At that time, it had a status of an autonomous body associated with the League of Nations. The ILO began its work in April 1919 and it is the only international organization to survive the Second World War and which operated during the entire duration of the war. After the UN foundation, this organization gained status of the first and oldest specialized UN agency based on a specific agreement from 1944. The International Labor Organization is a "permanent form of institutionalized cooperation among states whose task is to ensure, by exercising their activities, improvement of labor, economic and social conditions of the employed". (Sunderic, 2001, p.3).

The ILO was established during extremely severe social contradictions after the First World War which led to revolutionary currents in Europe and the reinforcement of the labor movement. The desire was to establish, with its foundation, some kind of balance between labor and capital. The allowance of the workers' representatives to directly participate in the international regulation of working conditions should have reduced the blow of the labor movement's battle and decrease negative consequences of the ruling class and capital threatened by organized labor. At the same time, the ILO's important mission was to minimize as much as possible the difference in conditions when it comes to competition in the global market.

A brief look at the legal position of the International Labor Organization

The International Labor Organization possess juridical personality and in particular the capacity to contract, to acquire and dispose of immovable and movable property and to institute legal proceedings. (Article 39 of the ILO Constitution). The International Labor Organization enjoys in the territory of each of its members such privileges and immunities as are necessary for the fulfillment of its purposes.

Delegates to the Conference, members of the Governing Body, the Director-General of the International Labor Office and other officials shall likewise enjoy such privileges and immunities as are necessary for the independent exercise of their function in connection with the organization. (Article 40 of the ILO Constitution).

The ILO Constitution is its supreme law. It regulates: admission and the withdrawal of membership, the organizational structure of the ILO, the jurisdiction of their bodies and their structure, the adoption and implementation of Conventions and Recommendations, the application of international labor standards, the jurisdiction of the International Court of Justice and such. Furthermore, special attention is given to the procedure and process of adopting Conventions and Recommendations with the provisions of the Constitution and also the obligations of the member states during the process of their implementation.

The importance of the Constitution is also reflected in that it defines and determines legal status, necessary privileges and immunities. The Declaration of the aims and purposes of the International Labor Organization is considered to be the constituent part of the Constitution adopted at the conference in Philadelphia in 1944. In expert literature, the before mentioned Declaration could be found under the name of the Philadelphia Declaration because it was adopted in Philadelphia or the Declaration of the aims and purposes.

The aims and purposes of the International Labor Organization

Both reasons and objectives crucially important for the establishment of the ILO are stated in the preamble of its Constitution. It is explicitly stated that the High Contracting Parties moved by sentiments of justice and humanity as well as by the desire to secure the permanent peace of the world and with a view to attaining the objectives set forth in the Constitution's Preamble, agreed to (accepted) the Constitution of the International Labor Organization. In doing so they rested upon the following principles, in particular:

- universal and lasting peace can be established only if it is based on social justice;
- peace and harmony in the world are imperiled while conditions of labor exist involving such injustice hardship and privation to large numbers of people as to produce such great unrest;
- improvement of labor conditions is urgently required as for example: by the regulation of working hours including the establishment of a maximum working day and week, the regulation of the labor supply, the prevention of unemployment, the provision of an adequate living wage, the protection of the worker against sickness, disease and injury arising out of his employment, the protection of children, young persons and women, protection of the interests of workers when employed in countries other than their own, recognition of the principle of equal remuneration for work of equal value, recognition of the principle of freedom of association, the organization of vocational and technical education and other measures; and
- the failure of any nation to adopt humane conditions of work is an obstacle in the way of other nations which desire to improve the conditions in their own countries. (See the Preamble to the ILO Constitution)

Therefore, the organization aims to examine and solve issues in the field of labor and social policy at an international scale, i.e. to enhance the living and working conditions of the workers and preserve peace through “social justice”.

In addition to the ILO Constitution, the objectives concerning the aims and purposes of the International Labor Organization are also further defined in the Declaration, adopted at Philadelphia on 10 May 1944. The Philadelphia Declaration reaffirms the following principles, in particular:

- labor is not a commodity;
- freedom of expression and of association are essential to sustained progress;
- poverty anywhere constitutes a danger to prosperity everywhere;
- within each nation, and by continuous and concerted international effort in which the representatives of workers and employers, enjoying equal status with those of governments join with them in free discussion and democratic decision with a view to promotion of the common welfare. (See further point 1 of the Declaration).

The Declaration also affirms based on the objectives of the ILO Constitution that:

- all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity;

- the attainment of the conditions in which this shall be possible must constitute the central aim of national and international policy;
- all national and international policies and measures, in particular those of an economic and financial character should be judged in this light and accepted only in so far as they may be held to promote and not to hinder the achievement of this fundamental objective; and
- it is the responsibility of the International Labor Organization to examine and consider all economic and financial policies and measures in the light of this fundamental objective.

At the same time, the Declaration affirms that the obligation of the ILO should be to achieve with its programmes, in particular:

- full employment and the raising of standards of living;
- the employment of workers in the occupations in which they can have the satisfaction of giving the fullest measure of their skill and attainments and make their greatest contribution to the common of well-being;
- the provision, as a means to the attainment of this end and under adequate guarantees for all concerned;
- policies in regard to wages and earnings, hours and other conditions of work calculated to ensure a just share of the fruits of progress to all, and a minimum living wage to all employed and in need of such protection;
- the effective recognition of the right of collective bargaining, the cooperation of management and labor in the continuous improvement of productive efficiency, and the collaboration of workers and employers in the preparation and application of social and economic measures;
- the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care;
- adequate protection for the life and health of workers in all occupations;
- provision of child welfare and maternity protection;
- the provision of adequate nutrition, housing and facilities for recreation and culture; and
- the assurance of equality of educational and vocational opportunity.

Among the ILO aims, the Philadelphia Declaration also states the advancement of less developed regions of the world, the assurance of greater stability in world prices of primary products and also the promotion of international trade development. Mediation in work and employment are also, in particular, carefully and precisely regulated.

The labor movement itself played a major role in the creation of the ILO, which strived to establish norms as international labor rights on an international plan when working conditions are concerned, knowing that a possibility for effective protection would only exist in this way.

CONVENTIONS – THE FUNDAMENTAL ACTS ADOPTED BY THE INTERNATIONAL LABOR ORGANIZATION

The need for internationally regulated relations in the field of labor arose relatively early. However, this need became even stronger with the emergence of the working class i.e. a numerous working class legally free and independent from its land or other property, which sprang from rapid industry development in many countries and the need for a mobile labor force which provides on the market its working ability and skills to create a material base for the family and social existence and reproduction. It is understood that the working class is becoming more organized and determined over time and struggles primarily to further strengthen, extend and provide, as results of the battle, better working conditions and positions in the organized process of labor with legal assets.

Since the labor movement is in its nature and objectives international in character, the legal guarantee of employment conditions and employment status went beyond its inner framework and began to be implemented at an international and supranational scale. The demands for international regulation of labor relations were particularly reinforced after the First World War as a result of revolutionary movements. However, in addition to the pressures of the labor movement, the employers' economic reasons affected the need for an international regulation of the employees' position, namely, by establishing a certain sustainable balance between labor and capital for achieving the best economic results and also by participating themselves as a crucial factor in the regulation, in influencing its contents.

Contemporary world trends and especially global industry trends have recently been marked by the process of globalization which greatly strengthens the need for regulations of labor relations at an international scale as uniquely and standardized as possible. The basic characteristics of globalization namely claim this, such as:

- a dynamic development, broad and comprehensive standardization of all areas of production and of people's lives;
- emphasized homogeneity in legal and institutional infrastructure;
- marked convergence of development policies of different groups of countries regardless of their size, development level, political, legal and social system and profile;
- discussed globalization and globalism, mainly in the context of the capitalist system of open market economy, serve the extremely rapid capital mobility in most profitable areas and the mobility of labor and capital, and this demands for suitable "legal protection".

The Conventions of the International Labor Organization which are a constituent part of the legal order of the Republic of Serbia can be classified into two categories according to the actual international status of the admitted subject.

Firstly, there are conventions which have been adopted straightaway by the Republic of Serbia as an international subject. Secondly, most of the ILO Conventions have been adopted by the state- legal predecessors of the Republic of Serbia. These are primarily the Socialist Federal Republic of Yugoslavia and the Kingdom of Yugoslavia. Certainly, there is no difference in terms of legal effect.

Convention concerning Employment Policy (No.122)

Convention no.122 of the International Labor Organization was adopted on 9 July 1964 ("SFRY Official Gazette"- International treaties and other agreements, no. 34/71). The Convention emphasizes, in particular, the following objects and principles of the employment policy:

- members states shall, with the view to stimulating economic growth and development, raising levels of living, meeting manpower requirements and overcoming unemployment and underemployment, declare and pursue, as a major goal, an active policy designed to promote full, productive and freely chosen employment;
- the active policy shall aim at ensuring that (1) there is work for all who are available for and seeking work (2) such work is as productive as possible and (3) there is freedom of choice of employment and fullest possible opportunity for each worker to qualify for, and to use his/her skills and endowments in, a job for which he/she is well suited, irrespective of race, color, gender, religion, political opinion, national extraction or social origin;
- the active employment policy shall take due account of the stage and level of economic development and other socioeconomic objectives and they shall be pursued by methods that are appropriate to national conditions and practices;
- representatives of the person affected by the measures to be taken and in particular representatives of employers and workers, shall be consulted in the application of the Convention, with a view to taking fully into account their experience and views and securing their full co-operation in formulating and enlisting support for such policies;
- each member state shall by such methods and to such extent as may be appropriate under national conditions enable (a) decide on and keep under review, with the framework of a co-ordinate economic and social policy, the measures to be adopted for attaining the objectives specified in the Convention (b) to enact legislation, including when appropriate the establishment of programmes, for the application of the measures set forth in the Convention. (Art. 2-5 of the Convention).

Convention no. 88 on ILO Employment Service

Convention no. 88 on Employment Service of the International Labor Organization ("SFRY Official Gazette - International Treaties and Other Agreements" No. 9/58) was adopted on 9 July 1948. The Convention provides that each Member State to which this Convention applies shall ensure, in co-operation where necessary with other public and private bodies concerned, the best possible organization of the employment market as an integral part of the national programme for the achievement and maintenance of full employment and the development and use of productive resources. (Article 1 of the Convention).

The employment service shall consist of a national system of employment offices under the direction of a national authority. The system shall comprise a network of local and, where appropriate, regional offices, sufficient in number to serve each geographical area of the country and conveniently located for employers and workers. In order to ensure the cooperation of representatives of employers and workers in the organization and functioning of the employment service and policy development services for the mediation service, suitable arrangements shall be made through the advisory committee, which shall provide for one or more national advisory committees and, if necessary, also regional and local committees (Art. 2-5 of the Convention).

The employment service shall be so organized as to ensure effective recruitment and placement, and for this purpose shall: assist employees in finding suitable employment and employers to recruit workers to suit the needs of the company; in accordance with national law, particularly facilitate occupational mobility with a view to adjusting the supply of labor to employment opportunities in the various occupations; facilitate geographical mobility with a view to assisting the movement of workers to areas with suitable employment opportunities; facilitate temporary transfers of workers from one area to another as a means of meeting temporary local maladjustments in the supply of or the demand for workers; facilitate any movement of workers from one country to another which may have been approved by the governments concerned; (Art. 6-8 of the Convention).

Service should also, within the various bureaus of mediation, facilitate specialization by occupations and industries, such as agriculture, and all other sectors of activity where this specialization may be useful, and particularly should appropriately meet the needs of special categories of persons seeking employment, such as the disabled.

In the framework of the International Labour Organization following conventions in the field of employment have been made:

- Convention No. 114 concerning the contract on employment of fishermen from 1959;
- Convention No. 159 on Vocational Rehabilitation and Employment of Disabled Persons, from 1983;
- Convention No. 8 on unemployment indemnity for loss due to shipwrecks from 1920, and
- Unemployment Convention, from 1919.

THE POSITION OF MIGRANTS

Labor conventions concern the issues of migration for employment, therefore migrant workers, rather than those of general migration - the permanent relocation of the population. The difference between the concepts of migrant workers and migration has attracted the attention of theory (Political Encyclopedia, 1975, p. 571-572). It is essential for labor conventions that the workers in question migrate in order to search for work, that the job demands separation from home, that their capabilities are used temporarily in another state, that is under another state under administration. Conventions specifically deal with general issues and duties of states in the case of migration for employment, limitation and removal of the conditions for the misuse of migration and promoting equality of opportunity and treatment of migrant workers as well as the preservation of acquired social rights of migrant workers, in particular the preservation of pension rights of workers who migrate.

Convention no. 97 on Migration for Employment ("SFRY Official Gazette-International Treaties and Other Agreements" No. 5/68), adopted on 1 July 1949, includes the revision of the convention of the same name, adopted in 1939. In this convention, the term "migrant worker" refers to a person who migrates from one country to another to be employed in any way except for their own account, and includes any person regularly admitted as a migrant worker. This convention also applies to: (1) cross-border workers, (2) a short-term entry of members of the liberal professions and artists, and (3) mariners.

This convention established the obligations of Member States to which it applies (the states that have ratified and registered the Convention) as follows:

- to make available on request to the International Labor Office and to other Members: (a) information on national policies, laws and regulations relating to emigration and immigration; (b) information on special provisions concerning migration for employment and the conditions of work and livelihood of migrants for employment; information concerning general agreements and special arrangements on these questions concluded by the Member.
- to maintain, or satisfy itself that there is maintained, an adequate and free service to assist migrants for employment, and in particular to provide them with accurate information.
- to, as far as national laws and regulations permit, take all appropriate steps against misleading propaganda relating to emigration and immigration and to, for this purpose, act in co-operation with other Members concerned where appropriate.
- to take measures within its jurisdiction to facilitate the departure, journey and reception of migrants for employment.

- to maintain, within its jurisdiction, appropriate medical services responsible for (a) ascertaining, where necessary, both at the time of departure and on arrival, that migrants for employment and the members of their families authorized to accompany or join them are in reasonable health; (b) ensuring that migrants for employment and members of their families enjoy adequate medical attention and good hygienic conditions at the time of departure, during the journey and on arrival in the territory of destination.
- to apply, without discrimination in respect of nationality, race, religion or sex, to immigrants lawfully within its territory, treatment no less favorable than that which it applies to its own nationals in respect of the following matters, in so far as such matters are regulated by law or regulations, or are subject to the control of administrative authorities: (a) remuneration, hours of work, overtime arrangements, holidays with pay, restrictions on home work, minimum age for employment, apprenticeship and training, women's work and the work of young persons; (b) membership of trade unions and enjoyment of the benefits of collective bargaining; (c) accommodation; (d) social security, with precisely specified limitations;
- to undertake that its employment service and other services connected with migration will co-operate in appropriate cases with the corresponding services of other Members and to ensure that the services rendered by its public employment service to migrants for employment are rendered free; (Art. 1-7 Convention).
- to permit, taking into account the limits allowed by national laws and regulations concerning export and import of currency, the transfer of such part of the earnings and savings of the migrant for employment as the migrant may desire.

When the number of migrants migrating from the territory of one Member State to the territory of another Member State is large enough, the Convention provides for the possibility that the competent authorities of those countries, wherever necessary or desirable, enter into agreements to regulate public interest that arise in regard of the application of this Convention's provisions.

In addition, the Convention provides that a migrant worker who was admitted as a permanent employee and their family members who are allowed to accompany or join him shall be returned to the territory of their origin or to the territory from which they migrated due to their being unable to engage in their profession because of illness or injury that occurred after entry, unless the persons want to leave themselves, or is envisaged by an international agreement that binds the countries concerned, whereas Member States may decide that this provision applies only after a moderate period which shall in no case exceed five years from the date of receipt admittance of such migrants.

The Convention is also followed by two annexes: Annex I - Recruitment, placing and conditions of labor of migrants for employment recruited otherwise than under

government-sponsored arrangements for group transfer and Annex II - Recruitment, placing and conditions of labor of migrants for employment recruited under government-sponsored arrangements for group transfer. These annexes specify, for the reasons of balanced application, certain provisions of the Convention.

Convention No. 143 Convention concerning Migrations in Abusive Conditions and the Promotion of Equality of Opportunity and Treatment of Migrant Workers ("SFRY Official Gazette - International Treaties", No. 12/80) was adopted on 24 June 1975.

For the purposes of the Convention the term "migrant worker" refers to a person who migrates or has migrated from one country to another in order to find a job, other than on his own account, and includes any person who regularly entered the country as a migrant worker. Convention does not apply to cross-border workers, artists and members of the professions who have entered the country for a short time, mariners, people who come specifically for training or education of persons employed in organizations or companies that operate in the territory of the country who were temporarily admitted to the country at the request of their employer in order to complete certain jobs and tasks for a limited and specified time, and who are obliged to leave the country after those jobs or tasks.

Each Member State through this Convention assumed the following obligations:

- to respect the basic human rights of all migrant workers.
- to seek to determine whether there are illegally employed migrant workers on its territory and whether there depart from, pass through or arrive in its territory any movements of migrants for employment in which the migrants are subjected during their journey, on arrival or during their period of residence and employment to conditions contravening relevant international multilateral or bilateral instruments or agreements, or national laws or regulations. The representative organizations of employers and workers shall be fully consulted and enabled to furnish any information in their possession on this subject;
- to adopt all necessary and appropriate measures, both within its jurisdiction and in collaboration with other Members (a) to suppress clandestine movements of migrants for employment and illegal employment of migrants, and (b) against the organizers of illicit or clandestine movements of migrants for employment departing from, passing through or arriving in its territory, and against those who employ workers who have immigrated in illegal conditions, in order to prevent and to eliminate the abuses which this Convention refers to;
- in particular, to take such measures as are necessary, at the national and the international level, for systematic contact and exchange of information on the subject with other States, in consultation with representative organizations of employers and workers. One of the purposes of these measures is that the authors of manpower trafficking can be prosecuted whatever the country from which they exercise their activities.

- to make provisions under national laws or regulations for the effective detection of the illegal employment of migrant workers and for the definition and the application of administrative, civil and penal sanctions, which include imprisonment in their range, in respect of the illegal employment of migrant workers, in respect of the organization of movements of migrants for employment defined as involving the abuses referred to in this Convention, and in respect of knowing assistance to such movements, whether for profit or otherwise.
- to consult the representative organizations of employers and workers in regard to the laws and regulations and other measures provided for in this Convention and designed to prevent and eliminate the mentioned abuses, and to recognize the possibility of their taking initiatives for this purpose, and
- to declare and pursue a national policy designed to promote and to guarantee, by methods appropriate to national conditions and practice, equality of opportunity and treatment in respect of employment and occupation, of social security, of trade union and cultural rights and of individual and collective freedoms for persons who as migrant workers or as members of their families are lawfully within its territory. (Art. 1-10 of the Convention).

The Convention explicitly provides for the possibility for Member States to take all necessary measures within its jurisdiction and to cooperate with other countries in order to facilitate the reunification of families of all migrant workers legally residing in its territory. The family members of migrant workers to whom this provision applies are spouses, dependent children, fathers and mothers. At the same time, Member States may limit access to certain categories of migrant workers' jobs or functions, when necessary in the interest of the state. (Article 14 of the Convention).

The Convention, among other things, envisages that, on condition that they resided legally in the country for employment, the worker is not considered to be a migrant worker in illegal or unlawful position only because they lost their job, which by itself does not imply the withdrawal of his residence permit or, as the case may be, work permit. Accordingly, it enjoys the same treatment as domestic workers, especially in terms of safeguards in connection with employment security, securing alternative employment, organizing unemployment benefits and retraining. As well, it should be highlighted that the Convention does not prevent Member States from giving the right to stay and to be legally employed to persons illegally residing or working in the country.

Also of importance for the position migrant workers is the *Maintenance of Migrants' Pension Rights Convention* ("DFY Official Gazette", No. 92/45), adopted on 22 June 1935, because it regulates in detail the issues of particular interest for this category of workers, such as the preservation of the rights that are in the process of acquiring and their calculation and recalculation; the preservation of acquired rights, mutual administrative assistance between Member States and their authorities in dealing with the rights of migrants and the limitations of states in the exercise of the rights of migrant workers.

Considering the term migrant as defined by the *Convention no. 97 on Migration for Employment*, i.e. that it applies to (1) cross-border workers, (2) a short-term entry of workers in liberal professions and artists and (3) mariners, the following conventions should be mentioned in this area: *Convention no. 73 on medical examination of seafarers* ("SFRY Official Gazette - International Treaties and Other Agreements", 3/67), adopted on 24 June 1963; the *Maritime Labor Convention* ("RS Official Gazette - International Treaties", No. 8/2011) adopted on 23 February 2006; *Convention No. 91 on Paid Holidays for Seafarers* ("SFRY Official Gazette - International Treaties and Other Agreements", No. 7/67), adopted on 18 June 1949, the *Seamen's Articles of Agreement Convention* ("Kingdom of Yugoslavia Official Gazette", 44-XVI/30), adopted on 24 June 1926; *Repatriation of Seamen Convention* (Kingdom of Yugoslavia Official Gazette", 44-XVI/30), adopted on 23 June 1926; *Placing of Seamen Convention* ("Fig. Newspapers Kingdom of Yugoslavia", 44-XVI/30), adopted on 18 June 1926, and the *Convention no. 92 on Accommodation of Crews* ("SFRY Official Gazette - International Treaties and Other Agreements", 3/67), adopted on 18 June 1949.

CONCLUSION

ILO conventions which are part of the legal system of the Republic of Serbia can be divided into two categories. First, there are conventions that are directly recognized by the Republic of Serbia as an international entity. Specificity appears as the fact that most of the ILO Convention adopted by states which are legal predecessors of the Republic of Serbia (primarily the SFRY and the Kingdom of Yugoslavia). The ILO conventions concerned are to a large extent related to defining the legal status of migrants whose rights are, by nature, at risk and require special attention which ILO expressed by adopting a series of conventions. An integral part of the policy of all governments of the world is an active employment policy which seeks to ensure: work for all able-bodied persons seeking work; that the work will be as profitable as possible; that there will be a free choice of employment; and that each worker will have the opportunity to acquire the necessary skills to obtain employment, regardless of race, color, gender, religion, political beliefs, national or social background.

The stated objectives are embedded into the ILO Conventions which are a part of the legal system of the Republic of Serbia, but a further substantive legal elaboration to allow greater use of practices which would be manifested through achievement of higher employment rates. Employing through the so called flexible forms of employment increases the rate of employment, but leads to worsening of the employees' labor law status due to the denial of their social rights. Recently, there is a global process of return of neo-liberal elements in the area of organized labor, leading to higher unemployment and an increased level of job uncertainty by increasing the gap between rich and poor, both at the state level and worldwide.

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EMPLOYMENT, EDUCATION AND ENTREPRENEURSHIP THROUGH THE PRISM OF RESULTS OF MILITARY EXPERIENCES AND RESEARCH WITHIN MINISTRY OF DEFENCE AND SERBIAN ARMED FORCES

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Abstract

Human resources, their knowledge, skills, virtues, expertise and experiences represent the most important development factor whether in military or in civil organization. Nowadays, acquired knowledge and skills are not enough to guarantee socio-economic stability or competitive position in labor market.

The concept of "job security" in developed countries is often substituted with the concept of "employment security" through the need of acquiring qualifications demanded in the labor market. Employees are expected to constantly develop their knowledge and skills through permanent study and improvement for the purposes of further work engagement, even if they have a permanent employment.

Opting for a complete reform of the defence system and its professionalization, drastic reduction of number of professional members of the Serbian Armed Forces was a necessity, along with the fact that significant number of those members was losing their profession simultaneously with their loss of professional military service.

This manuscript will point out the basic characteristics of human resources in the defence system and present the results of research conducted within the Ministry of Defence and Serbian Armed Forces. This research had an objective to determine a personal impression of professional career of students in the Military Academy, satisfaction level of the "best" students of the Military Academy after their graduation and also, their further aspirations, as well as the results of PRISMA program realization (Program for Resettlement in Serbia Ministry of defence and Army), which is the program for resettlement of redundant military personnel.

Key words: *human resources, military experiences and research in resettlement of redundant military personnel*

INTRODUCTION

In modern conditions and changes that are happening “minute after minute”, education represents one of the basic requirements for further socio-economic development of modern society. That is why it is expected from any individual to acquire and update their knowledge constantly, throughout their working life. Whereat, it should be taken into account the constant occurrence of new professions according to more frequent use and application of information and communication technologies.

Reform processes of the defence system, as well as army professionalization, demand extremely high financial support, which, objectively, is not financially feasible. That is the main reason for very often abrupt and drastic measures of cutting down the personnel number. Same thing happened in the Republic of Bulgaria when entire class of Second Lieutenants was released after their graduation from the Military Academy, without even one day spent in professional military service. Our defence system is not very different, because 6.300 professional members had to leave military system “over night” in 2005, whereby main criteria for that was year of birth, and not competence level, or work experience, member profile, his skills or abilities. Thereat, significant number of released members did not have any specialized knowledge or qualifications, which are due to have in order to find an employment in civil sector. They had to “stressfully” accept the possibility of career change, and the urgent need for broadening their acquired knowledge.

The main objective of this work is to use military results and experiences during formulation and implementation of various policies in the employment field, and their positive outcomes through active roll and improvement of educational system.

BASIC CHARACTERISTICS OF HUMAN RESOURCES IN THE DEFENCE SYSTEM OF THE REPUBLIC OF SERBIA

Human resources are the most important factor in functioning and development of the defence system and Serbian Armed Forces. Because of that, human resource management is established based on implementation of scientific discoveries in that field, as well as on domestic and foreign experiences, in accordance with specificities of the Serbian defence system.

Human resources within the Ministry of Defence and Serbian Armed Forces consist of officers, NCOs, professional soldiers on contract, civilians (military servants and military employees) and public servants and public employees. Organizational structure of the defence system is determined by regulations on

internal organization, by systematization of workplaces (organizational units and institutions within the Ministry of Defence) and by formations (Serbian Armed Forces), all of which are firstly being approved by the Serbian Government in accordance with the Law.

Number of professionals within the defence system during peacetime is defined every year by Personnel Plan, which is adopted by the Government, along with appropriate allocation of approved resources (for personnel 50%, and for other elements: operations and maintenance 30%, supplies 15% and for infrastructure 5%).

In accordance with organizational changes that incurred in the defence system, 21,156 members were discharged during the period from 2005 to 2009, out of which 17,369 were professional members of the defence system and Serbian Armed Forces, which were discharged in 2005 and 2006 (Table 1).

Table 1 – Overview of the personnel number in the defence system during the period from 2005 to 2009

Year	Officers	NCOs	Professional soldiers	Civilians	Entire defence system (staff)	Difference compared to the previous year	Soldiers in military service	Entire defence system	Difference compared to the previous year
2005.	9.654	12.583	7.242	24.234	53.703		23.029	76.732	
2006.	8.557	11.081	5.822	19.474	44.934	-8.769	14.549	59.483	-17.249
2007.	7.064	8.707	4.579	15.994	36.334	-8.600	9.813	46.147	-13.336
2008.	6.671	8.176	4.179	13.271	33.297	-3.037	9.181	42.478	-3.669
2009.	6.532	7.798	4.847	12.980	32.187	-1.110	9.276	41.463	-1.015

Source: Ministry of Defence – Human Resource Sector, Belgrade, 2009.

The main reason for the drastic cut down of the professional members within the defence system was the necessary adjustment of that number to the internationally set standards for number of members serving in armed forces.

For the defence system and Serbian Armed Forces, the year 2011 represents the beginning of “qualitatively” new way of functioning, because of the transition to Army professionalization, which encompassed around 6,500 officers, 7,500

NCOs, 9,800 professional soldiers, 9,800 civilians on the budget and 1,650 civilians on income. In total, that results with the total number of 35,200 members of the defence system and Serbian Armed Forces.

Despite the measures taken in order to reduce the number of high-ranked officers, officers' relation to NCOs and other personnel categories is still unfavorable compared to the internationally set standards. That adverse relation among ranks was created primarily as a result of rigid legislation, nonselective promotions, as well as unsystematic determination of elements of formation positions.

Due to relocation of large number of officers from the territory of former Yugoslavia, especially in 1992 (after formation of Federative Republic of Yugoslavia), a significantly larger number of higher-ranked formation positions was deliberately projected, so that senior officers could continue to retain their positions. It should be also taken into consideration that non-balanced structure of officer ranks was a structural problem, which is very characteristic for all countries in transition.

Human resources, their knowledge, skills, expertise and experience are the most important development factor, whether in military or civil organization. The Ministry of Defence and Serbian Armed Forces have extremely high-qualified and respective educational potential (Table 2).

Table 2 – Structure of officers by their professional qualifications

Category	Level of professional qualification	Number	%
OFFICERS	High school	27	0,42
	Higher school degree	247	3,84
	University degree	4.109	63,92
	Specialist	745	11,59
	MA	347	5,40
	Ph.D.	142	2,21
	Command-staff training	567	8,82
	General-staff training	244	3,80
Total		6.428	100

Source: Ministry of Defence – Human Resource Sector, Belgrade, 2011

Based on the level of professional qualification, it could be stated that out of the total number of officers in 2011, 63.92% (4,109 officers) has a university degree, while 29.2% has different types of higher educational training – specialization, master degree or Ph.D. (2,005 officers), which most certainly represents a respectful educational potential of the Ministry of Defence and Serbian Armed Forces. In relation to the military training, 12.62% of officers have graduated command-staff training (8.82%), or general-staff training (3.80%). The largest number of officers has graduated from the Military Academy, whilst extremely small number of officers acquired degrees at civil universities. That

being said, it is very likely that officers in the civil sector who graduated the Military Academy would have more difficulty in finding a new employment, than their colleagues who have degrees at civil universities.

That is also the reason for “difference” being made among officers of the USA Armed Forces who graduated from the Military Academy and officers who acquired civilian education, with the meaning that military system has a “milder treatment” towards the officers with civilian education, and using the training principle “up – out”. This particularly means that an officer with civilian education can continue with his professional training only as long as this progress satisfies the needs of the Armed Forces. On the other hand, military educated officers are considered to be “career officers”. Therefore, a lot more attention is given to the progress of their careers after termination of their professional military service, taking into consideration its specificities.

During 2011, there were 1,733 students attending courses and gaining their education at military institutions of the Serbian Defence System (Table 3).

Table 3 – Students attended classes and training

Education type	School year					Total
	I	II	III	IV	V	
Military High School	128	102	80	70		380
Military Academy (basic studies)	440	203	169	124	3	939
The MMA’s School for Advanced Studies (basic studies)	26	48				74
Basic Command-staff Course	97					97
Command-staff Training	60					60
General-staff Training	0					0
MMA Specialization	183					183
T O T A L						1.733

Source: Ministry of Defence – Human Resource Sector, Belgrade, 2011

Previous overview shows that the biggest number of students is currently attending basic studies at the Military Academy (54.18%) and classes at the Military High School (21.92%), while the rest of them is attending either medical studies, or finishing their specializations in the field of medicine (14.82%), as well as the training through command-staff course, or command-staff training (9.00%). At the same time, it is expected that significant number of students enroll academic studies of second and third degree at the University of Defence.

PERSONAL OPINION ON A PROFESSIONAL CAREER IN THE EYES OF STUDENTS AT THE MILITARY ACADEMY

It is widely known fact that, during education process, aspirations and ambitions are the man's best motivators for hard work, better organization and adjustment to current conditions in order to achieve the goals he set to himself. A survey was conducted at the Military Academy among 255 students of first and second year, with a goal of obtaining answers to the questions: How much are the students at the Military Academy motivated to achieve top results during their education, and what are their personal impressions of possible professional career in the future? One part of these results will be presented for the needs of this paper or proposed conclusions.

Answers to various questions were obtained through relevant research and a questionnaire, along with an overview of the modalities and number of answers to every question. For the purposes of this paper, the following questions and answers will be presented:

Which of the following is the most possible thing you would do?

Answer modalities	%
To graduate from the Military Academy as one of the best students	13,9
To graduate from the Military Academy as an average student	82,1
To graduate from the Military Academy as one of the students who barely graduated	2,8
I shall leave the Military Academy	1,2

Majority of the students (82.1%) has shown intention to graduate from the Military Academy with average success. The reason for this was probably because these answers came from students who just started their education at the Academy (students of the first and second year). These students are still encountering difficulties while adapting themselves to the new rules, military discipline and joint way of life and work. On the other hand, a very small number of students have the enthusiasm to graduate from the Military Academy with results above average (13.9%), while there is totally negligible percentage of students who think they have made a mistake by choosing military education, and that they would, probably, fail to graduate from the Military Academy.

Please try to choose, as honestly as you can, the real reason why you entered the Military Academy

Answer modalities	%
For me, there is no other way to get an education. If there were, I would certainly choose some other Faculty	4,5
There is a big number of unemployed people in the country; if I could obtain secure work position and solid earnings somewhere else, I wouldn't be here for sure	23,5
In the beginning, I wanted security, but now I would like to be an officer	30,5
I want my life to be full of challenges and excitement. Also, I would like a chance to prove myself in overcoming difficulties	41,5

The answer to this question represents a good indicator for decision-makers in the Ministry of Defence and Serbian Armed Forces, which shows how much are future officers, in the beginning of their studies, "devoted" to the military system, and this devotion is one of the main preconditions for successful functioning of the system.

Due to a very difficult economic and social conditions, caused by the transition and economic crisis, 28.0% of the examinees confessed that they were forced to choose military calling, although they were not truly interested in it. The positive indicator from the aspect of interests of the Defence system and interests of the Serbian Armed Forces is that two thirds of students (72%) feel that they are in the right place.

Completed postgraduate studies and obtained Master Degree or Ph.D. Degree

Answer modalities	%
There is no way for me to achieve that ever	6.3
It is hard to believe that I am going to achieve that	14.5
I am not sure; everything is possible, maybe, who knows?	32.5
I am almost certain that I am going to achieve that	32.2
I am certain that I am going to achieve that	14.5

Since the Ministry of Defence and Serbian Armed Forces already possess admirably strong educational potential, interest that was shown by more than a half future officers (46.7%) indicates that this matter will also have positive tendencies in the future. Thereat, it should be taken into account that a significant number (32.5%) of students are still undecided about continuing their education on postgraduate studies.

*Constant learning and acquiring as much knowledge as possible
from various fields*

Answer modalities	%
There is no way for me to achieve that ever	3,5
It is hard to believe that I am going to achieve that	9,8
I am not sure; everything is possible, maybe, who knows?	21,6
I am almost certain that I am going to achieve that	41,2
I am certain that I am going to achieve that	23,9

In modern conditions, acquiring new knowledge through constant educational and professional training represents an imperative of modern times and a secure development of future career. That is probably why majority of students (65.1%), at the very beginning of their education, have shown their interest in constant education and acquisition of new knowledge from various fields. Moreover, military organization, as well as the military system in general, is ranked among dynamic and progressive functioning systems.

DESTINY OF THE BEST STUDENTS AT THE MILITARY ACADEMY

The research under the work title “Destiny of the best students at the Military Academy – their whereabouts” was conducted at the Ministry of Defence and Serbian Armed Forces in 2009 in order to perceive relevant influences as indicators of satisfaction level of “the best” students of the Military Academy after their graduation and after they obtain a schedule based on which they will exercise their professional military service. The main criteria for defining the category of “the best student” was an achieved average grade above 8.50 during four-year and five-year studies at the Military Academy, provided that research objective was also to obtain the results of socio-metric research of human relations, observations of first superior officers and their evaluation on military development of officers in question, education efficiency etc. Representative sample encompassed the best generation students of classes 127, 128, and 129, during their four-year or five-year studies at the Military Academy with their average grade above 8.50, which was 12.9% of total number of students appertaining to those classes.

In terms of normatively set obligation of official evaluation, and irrespective of work position in the formation or position in organizational units within the Ministry of Defence and Serbian Armed Forces, results obtained during the official evaluation were ranged between 4.00 and 5.00, and average grade was 4.38. Taking into account the first performance of professional military duties, researches showed that average result achieved during education at the Military Academy was not accidental and that this was extremely qualified personnel who required a necessary “institutional” treatment in order to fulfill state interests in the defence system and in Serbian Armed Forces. Considering

that that was their first evaluation and when it is a known fact that these officers were at their starting duties, than it is rightful to say that these data are very encouraging in a view of further engagements. This is also proven by the fact that 34.37% of formerly best students from the Military Academy were rewarded with an award leave, 28.12% with a financial award, 15.62% with compliments from their superior officers and 3.12% with a book. Important indicator of research in question was the research on personal impression of appointment of the best students from the Military Academy as they carried out their professional military duties (Table 4).

Table 4 – *Personal impression of the Military Academy's best students about military duties assigned to them*

Answer modalities	y %
I deserve a better unit	18,75
I had the chance to choose	9,37
I don't care	12,50
I got here through personal connections	12,50
I understand this as a punishment	6,25
I think that this is the best possible solution	21,87
Something else	18,75

Source: Ministry of Defence, Belgrade, 2009

Based on the given comments to the answer: "Something else", the following answers dominated:

- I didn't want to work at the assigned position;
- All depends on the connection, not on the shown work results;
- I think that this is temporary solution – till I get a transfer to another unit,
- I feel let down and disappointed, because I was being persuaded that I would get another work position.

The reason for discontent shown by the best students of the Military Academy can be seen through the personal impression that the provisions set by the Service Regulatory are being disregarded and differently interpreted to serve to the needs of the one who is interpreting them, the rights of inferior officers, finishing the work of inferior, superiors' behaviour towards the inferiors, treating them as "servants", as well as organizational and formational changes that can lead to insecure further professional military career. Besides that, the data shows that 53.12% of the examinees think that conditions for professional and individual development are inadequate, along with following comments:

- The advantage is given to the senior officers, even though they are unable to meet the conditions (they are not the best choice);
- I don't have the support of my superiors;
- Senior officers lost their ambition for higher-rank;

- Working hours are often longer than determined, I am too tired, I don't have enough free time,
- I don't have the right on compensation; there is no understanding for further promotions etc.

In times of the bigger need for a higher education level and personal development for the purposes of keeping the current work position or gaining a new one with permanent employment, important indicator is Military Academy's best students' relation towards further education or professional training (Table 5).

Table 5 – Target groups' relation towards further training

Answer modalities	Continued with further education (in %)	Intentions (in %)
In their field of expertise	12,50	21,87
Something else	31,25	34,37
Non form above mentioned (without any plans)	56,25	43,76

Source: Ministry of Defence, Belgrade, 2009.

Even though the statistical sample encompassed the best students of the Military Academy, the fact is that most of them (56.25%) are not interested in further education and professional training at the moment when there are no family, social or other reasons which could influence on final decision regarding his further education.

For every individual starting their career and its further development, subjective impression of relation between inferior and superior officers represents one of the most important factors (Table 6).

Table 6 – The behaviour of superior officer towards inferior officer

Answer modalities	%
Inferior officer is treated with respect and encouraged to take an initiative and to be creative	18,75
Disregarded – imposed state of passivity	12,50
I don't care	59,37
I am not recognized based on my work	9,37

Source: Ministry of Defence, Belgrade, 2009.

Obtained results indicate that superior officers' relation towards their younger colleagues needs to be reexamined. Moreover, superior officers need to accept the fact that the military system's way of functioning, as well as the conditions under which it operates, are very different compared to those in time when they were

starting their career. Irrespective of passive relation noticed towards new seniors who achieved remarkable results during their education, it is evident that this kind of behavior has a bad effect to the military organization and on senior officers in question, given that the military organization has, primarily, team not individual character.

The question: “If I could change something in my unit, I would...” led to a large number of interesting answers, which can be very useful for military decision-makers in their formulation of conditions needed for more efficient functioning of the military organization:

- Changed relation of senior officers towards younger officers;
- Objectivity when assessing one’s work and dedication;
- Structural change of senior personnel in commands;
- Change in planning and realization of daily duties;
- Building-up better human relations;
- Change in relation towards professional and individual training;
- Be informed, i.e. accessibility of all relevant information to lower levels;
- Change of non-adequate treatment of professional qualifications, posting the people based on their realistic professional abilities; Putting a stop to “investing in superiors” which are at the very end of their career;
- Success and knowledge gained at the MA should have bigger influence on career development.

PRISMA PROGRAM REALIZATION RESULTS

Most of institutional decision-makers in countries in transition, initiated discharging of employees in civilian and military sector without an adequate analysis and appropriate measures for their re-socialization, or finding a solution for their further engagement. Compared to this approach, solving the problem of redundant personnel is institutionally arranged process in developed countries. Professional members of armed forces in developed countries are given an opportunity for a new work engagement through appropriate transition from military to civilian career, after their professional military service is finished. In that way, for example, a significant number of professional military members who served in Armed Forces in western countries and USA, and who have a long-life experience in managing human and other resources, became extremely successful businessmen and entrepreneurs in the civilian sector.

Process of cutting down the number of professional army members, was also a part of the reforms conducted in the defence system. This implied some difficult decisions in view of discharging redundant military personnel. The consequences of these decisions were reflected, primarily, on individuals and military

organization, but also, on a society in general, since discharged personnel was highly educated and the state had invested in them too much financially to give up on them with “institutional support” (Ph.D. in medicine, Professors in Technical Sciences etc). That institutional approach in solving the problem of redundant military personnel is not, and can not ever be, socially acceptable.

Social program for redundant military personnel (Program for Resettlement in Serbia Ministry of Defence and Army) is the first socio-military program for resettlement of redundant military personnel, which was adopted by the Ministry of Defence in 2004. By opting for thorough reform of the defence system and its professionalization, drastic cut-down of professional army members was a necessity, along with the fact that significant number of discharged members will, apart from their work positions, lose also their profession (since specific military occupations were the subject of military interest, and that there is no “reserve” army for redundant military personnel.

Since July of 2006, the Ministry of Defence of the Republic of Serbia and the International Organization for Migrations (IOM), have been successfully implementing the NATO Trust Fond Project for Assistance to Discharged Defence Personnel in the Republic of Serbia (NTF Project) within NATO Program Partnership for PEACE, which includes 18 donor countries.

Starting from the main objective to make possible for discharged personnel to implement old and acquire new skills and knowledge necessary for future career, PRISMA Program represents also sublimates of 11 programs with their corresponding contents:

- Program of media support with its main objective to create overall confidence in the requalification project and media support;
- Program of motivation courses (motivational workshops), which is implemented in regional centers for requalification through counseling, testing of affinities, skills and abilities, improving skills in finding a job, getting informed about the current state in the labor market, information about the possibilities for starting small and medium-sized businesses, drafting their own activity plan etc.;
- Training program through requalification based on the level of professional qualifications of a program user and in accordance with the needs of labor market and personal affinities;
- Program of providing information on small and medium-sized businesses, which is intended for individuals who opted for financial or other type of support in order to start their own businesses;
- Program for providing help and advice in searching for new job opportunities through activities of regional centers for requalification;
- Program for regular severance pay, which is based on legal responsibility of the Ministry of Defence as employer;

- Credit financing for subsidized employment, or giving a subsidy to an employer in order for him to employ redundant military personnel (minimum a year and regular payment of contributions);
- Credit financing program for independent economic activities through grants and for the purposes of self-employment;
- Employment program which implies to finding an employment in the companies of suppliers and business partners of the Ministry of Defence and Serbian Armed Forces;
- Loaning of military facilities for the purposes of conducting business activities for a certain period without charge, and after expiration of that period for a certain fee; as well as:
- Employment program in ministries and other public institutions.

In the period from 2005 to 2009, total number of 5,571 of the PRISMA program users gained appropriate support in order to reintegrate them in the civilian sector (Table 7).

Table 7 – Number of PRISMA Program users, by categories

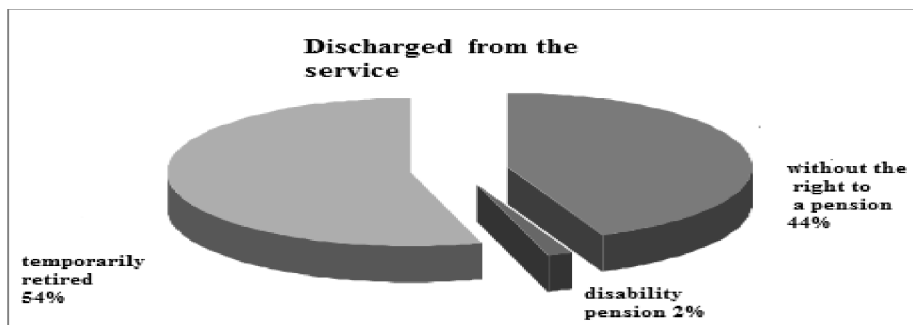
User category	User number	Participation in %
Officers	1993	36.13
NCO'S	1225	22.20
Professional soldiers	138	2.50
Civilians	2161	39.17
Total:	5517	100.00

Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009.

The majority of program users were: civilians (2,161 users or 39.17%), officers (1,993 users or 36.13%), NCOs (1,225 users or 22.20%), which results with a total number of 5,379 users (97.50%), whilst it is practically negligible the number of professional soldiers as users (138 users, or 2.50%). As for the age structure, out of a total number, 3,057 users were not more than 50 years old (55%), while 2,460 users (45%) was more than 50 years old, which indicates their possible potential in further work engagements.

On the aspect of acquired rights on resettlement, out of the total number of users, 54% acquired the right on early retirement, 2% gained the right on disability retirement, while 44% of the users left without permanent social resettlement (Chart 1).

Chart 1: Rights acquired upon leaving the service



Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

It should be noted that 1,958 officers (98.25%) and 1,158 NCOs (94.53%) acquired the right established by the Law on an early or disability pension as a form of permanent social resettlement, while civilians (0.00%) and professional soldiers (one user or 0.72%) did not meet the conditions for any pension type.

Based on approved request and expressed desire for specific qualification type and acquisition of certain skills in order to find an employment outside of the military system, 1,469 users decided to take requalification courses, which is 26.63% out of the total number of program users (Table 8).

Table 8: Re-qualified persons as PRISMA program users

Categories	Officers	NCOs	Professional soldiers	Civilians	Total	In %
Over qualification						
The Faculty of Organizational Sciences	585	1	0	15	601	40.91
The Faculty of Mechanical Engineering	340	1	0	10	351	23.89
Training Centers	30	266	30	191	517	35.19
Total	955	268	30	216	1469	100,00

Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

Within the structure of re-qualified users, the majority were officers (955 officers, or 26.63%) with finished requalification at the Faculty of Organizational Sciences (starting and conducting a small business, management of sales and services in modern management), or at the Faculty of Mechanical Engineering (industrial management, computer supported product design, energy efficiency, management of environmental aspects and informational systems) in duration of two-and-a-half and three months.

The majority of NCOs (268 NCOs, or 17.24%) and civilians (216 civilians, or 16.70%), chose to re-qualify themselves through regional centers in order to change their vocation (programming and managing of flexible product cells, servicing and maintenance of air-conditions, water systems installation, central heating installation, installation of video surveillance, protection of persons and property etc). It should be taken into account that percentage of professional soldiers in requalification is negligible (only 30 persons).

After requalification, the next step for achieving desired objective is evaluation of results, in the sense of a concrete work engagement for re-qualified persons (Table 9).

Table 9: Discharged military personnel who got employed upon finished requalification

Categories	Officers	NCOs	Professional soldiers	Civilians	Total	In %
Employment						
Outside the filed of expertise	177	66		48	491	45.80
Inside the filed of expertise	86	37	1	32	256	23.88
Agriculture	69	102		54	325	35.19
Total	732	205	1	134	1072	100,00

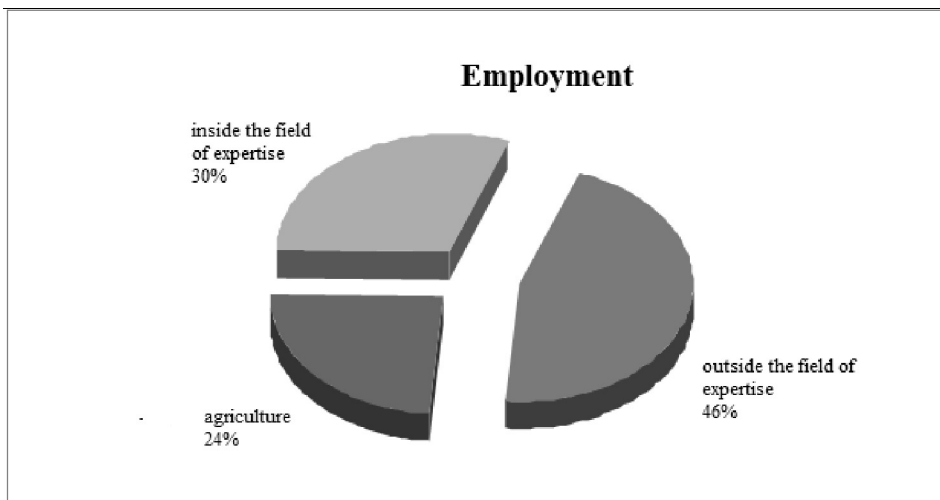
Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

Out of the total number of re-qualified persons (1,469), 1,072 (72.97%) of program users found an employment. 491 or (45,805) program users found an employment outside their profession, 256 or (23.88%) of program users found an employment within their profession, and 325 or (35.19%) of program users chose agricultural activities.

Based on program user category: out of 955 officers who finished requalification, 732 or (76.655) of officers found an employment; out of 268 NCOs, 205 or (76.49%) of them is employed; out of a 216 re-qualified civilians 136 or (64.04%) is employed, while out of only 30 professional soldiers, employment found just one soldier (3.33%) after requalification.

Out of the total number of employed program users, 30% is employed within their profession, 46% outside their profession, while 24% of program users have chosen agricultural activities (Chart 2).

Chart 2: Employment fields of PRISMA program users



Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

One of the opportunities provided by the PRISMA Program caused a great deal of interest and was opted for by a lot of program users, was financial support for the purposes of self-employment by starting own businesses, and forms of this financial support are the following:

- NTF Grant – grant of 1500 Euros in dinar countervalue;
- two NTF grants – total grant of 3000 Euros in dinar countervalue;
- credit – financial support through credit without interest, which total value is 3000 Euros in dinar countervalue;
- NTF Course – financial support from 600 to 1500 Euros for requalification courses or corresponding specialization type, which is not offered by the PRISMA Program,
- Subvention – financial support of 1500 Euros in dinar countervalue for subsidized employment for program users, in minimal duration of one year. 2,989 of the program users opted for financial support for the purposes of starting their own businesses (Table 10).

Table 10: Overview of financial support beneficiaries

Categories	Officers	NCOs	Professional soldiers	Civilians	Total
Support type					
NTF Grant	771	522	23	996	2312
two NTF grants	4	8		11	23
NTF grant + credit + NTF grant	1				1
NTF grant + NTF grant + NTF grant	5	14		7	26
NTF Course	137	48	3	78	266
NTF Course + NTF grant	5			1	6
Subvention	158	118	4	75	355
Total	1081	710	30	1168	2989

Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

Grant of 1500 EUR in dinar countervalue was approved to the biggest number of program users (2,943 users or 98.46% out of the total number of program users) and for the purposes of starting their own businesses, requalification or professional training, as well as for subventions for employers who are suppose to provide work positions for program users, while 56 users (1.54%) chose financial support from 3000 to 6000 EUR (29 of them got financial support of 3000 EUR, 26 of them used 4500, while only one user chose the financial support of 6000 EUR).

PRISMA Program's indicator of successful realization is employment rate of program users (Table 11).

Table 11: Overview of program users based on their type of employment

Categories	Officers	NCOs	Professional soldiers	Civilians	Total
Work position through subsidized employment	496	284	16	284	1080
Independent or joint business	643	364	3	476	1486
Registered agricultural estate	393	271	20	709	1393
Total	1532	919	39	1469	3959

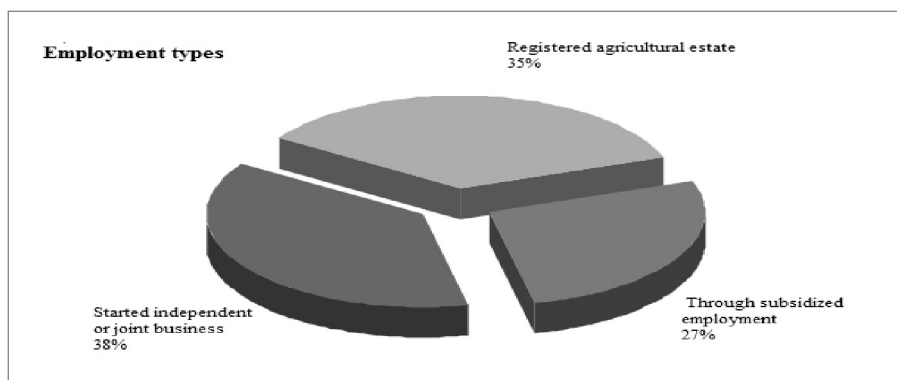
Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

Out of the total number of PRISMA Program users (5,517), during the period between 2005 and 2009, 3,959 persons got employed (71.76%):

- 1,080 program users (27.28%) got employed in public or private sector;
- 1,486 program users (37.53%) opted for some of independent or joint activities;
- 1,393 program users (35.19) have registered agricultural estate, by opting for that activity.
- Compared to respective categories of program users, it is established that:
- out of 1532 officers, 643 (41.97%) opted for independent or joint activities, 364 (32.37%) opted for a work position at an employer in public or private sector, while 393 (24.64%) of them have registered an agricultural estate;
- out of 919 NCOs, 364 (39.60%) opted for independent or joint activities, 284 (30.90%) opted for a work position at an employer in public or private sector, while 271 (29.50%) of them have registered an agricultural estate;
- out of 1469 civilians, 476 (32.40%) opted for independent or joint activities, 284 (19.33%) opted for a work position at an employer in public or private sector, while 709 (48.23%) of them have registered an agricultural estate;
- out of 39 professional soldiers, 3 (7.69%) opted for independent or joint activities, 16 (53.33%) opted for a work position at an employer in public or private sector, while 20 (38.98%) of them have registered an agricultural estate;

Conclusively, out of the total number of program users, 38% started their own independent or joint business, 35% registered agricultural estate, while 27% of them opted for a work position (Chart 3).

Chart 3: Type of employment of PRISMA Program users



Source: Ministry of Defence - PRISMA Directorate, Belgrade, 2009

For the purposes of realization of the PRISMA Program, 18 donator countries approved the funds of 10,211,210.84 EUR during the period between 2004 and 2009, and those resources are entirely spent. In regard to those resources of the Trust Fund, PRISMA Program users did not receive financial resources in cash, but in form of a merchandise, services and equipment, whereby the International Organization for Migration (IOM) was entirely responsible for the realization of NATO/PfP Trust Fund financial support for the PRISMA Program. Moreover, IOM was executive agent of the Trust Fund (Steering Committee of Regional Center for Career Change and Steering Committee of NATO/PfP Trust Fund were making decisions on resource allocation through mutual cooperation).

CONCLUSION

Transition process of the military career, being an integral part of constant changes that are happening in military organizations, is present in all levels of armed forces. These changes are, in developed countries, caused by intensive implementation of new military technologies, organizational and management changes, as well as the participation in international military integrations and other security integrations.

Military calling demands extremely high social investments in education and constant specialized trainings of the professional members of armed forces. Therefore, every developed society has a difficulty to forsake quality personnel in question, primarily because of their experience and in age when they can still make a significant work contribution.

Despite the successful results achieved during the time-limited PRISMA Program and positive evaluation of foreign donators, the fact is that there is still no long-term support program for socio-economic re-integration of redundant military personnel in spite of the military professionalization, which is, more and more, reducing the possibility of staying in professional military service, not even till early retirement conditions are fulfilled.

Successful transition of military to civilian career represents one of the crucial preconditions for a secure employment, especially in modern life and work conditions. Furthermore, it is also one of the extremely important indicators for the improvement of life quality.

Analog process of education, professional qualification and training can be also regarded as a strategy for management of human resources, as well as the key precondition for the development of modern military organization. Hence, constant education and training improvement within the institutions of the University of Defence as well as the cooperation with other highly qualified national and international universities are crucial.

Results of the conducted military research represent a useful base, not only for decision-makers, but also for every institution within the system, which is faced with extremely complex and sensitive problems in educational and employment

field, as well as the problem of redundant personnel, since transitional processes, along with extremely unsuccessful privatization process, and without social emotions of previous governing establishment, caused very high unemployment rate in the Republic of Serbia and a series of other economic and social problems.

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