

# INFORMAL EMPLOYMENT AS A FORM OF GRAY ECONOMY IN THE TIME OF COVID 19 PANDEMICS

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**Abstract:** Even as a field of study, the informal employment, as one aspect of the shadow economy, is a complex phenomenon. Shadow economy and informal employment are among major challenges that the countries are facing worldwide. Informal employment is primarily related to the underdeveloped and developing countries, but it is also present in highly developed countries, only to a lesser extent. The size of informal employment has varied in time, depending on many factors. The COVID-19 pandemic increased global poverty and it hit informal firms and informally employed workers particularly hard. The objective of this paper is to show the size of informal employment in the time of COVID-19 pandemic, with particular emphasis on Serbia. In this paper we will also discuss the measures that result in reduction of the size of informal employment. It is the state that holds the position at the very top of the economic pyramid and that can have a direct or indirect impact on the size of informal employment by implementing specific measures. Nevertheless, the state must first consider the complex and often opposed relations that might result from its decisions.

**Keywords:** informal employment, shadow economy, informal firms, COVID 19 pandemic, Serbia.

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## INTRODUCTION

All the countries around the world regardless of whether they are big or small, wealthy or poor, developed or developing, are facing the consequences of the coronavirus COVID-19 crisis. The on-going COVID-19 pandemic has revealed the fragility of healthcare systems, the instability of economic structures and the vulnerability of the society. The measures necessary for containment and mitigation of the consequences of the pandemic have been implemented in order to limit the spread of the virus and save human lives, but they brought about the reduction of economic activity. The interaction of supply and demand shocks combined with political response to COVID-19 pandemic, such as closing national borders, triggered a series of negative impacts on both national and global economy.

The negative economic impacts of COVID 19 pandemic could surpass the global financial crisis of 2008-2009. The fact that the COVID-19 pandemic will not come to an end any time soon is of a particular concern. In the near future the pandemic will add to the human and economic suffering, but in the long run it will contribute to reduced growth and increasing inequality.

The global economy has been experiencing a recession ever since the pandemic outburst. According to the World Bank projections, in 2020 a global economic downturn was -3.1% (IMF, 2021b: 6). The downturn of economic activities in 2020 was the sharpest in the developed countries (-4.5%) and it was higher in Euro zone (-6.3%) than in the USA (-3.4%). The countries with the sharpest downturn in the Euro zone included Spain (-10.8%), Italy (-8.9%) and France (-8%). The emerging markets and developing economies have also experienced a decline (-2.1% on average). There were also the differences in economic downturn among the countries belonging to this group. China was the only country to experience a 2.3% economic growth in the time of COVID-19 pandemic in 2020, although there was a 3.7% drop at the same time compared with 2019, when it achieved the 6.0% growth. Concerning Serbia, the total economic activity in 2020 measured by the actual gross domestic product trends dropped by 1.1% compared with 2019 (Statistical Office of the Republic of Serbia, 2020b).

In addition to continuous fighting against coronavirus by vaccination, the recovery from negative economic activity flows will also depend on the efficiency of the economic policy implementation. Serbia is one of the leading countries in the direct combat with the pandemic caused by the coronavirus (procurement of vaccines and vaccination of the population in Serbia). Furthermore, Serbia is accomplishing good results on the economic level, which is supported by IMF's projection – a 5% growth of GDP in 2021 that should not go below 4% until 2026 (International Monetary Fund, 2021a: 132). The unemployment rate in Serbia in 2020 has slightly increased (9.9%), compared to 2019 (9.7%) (RZS, 2020c). Similar situation is in the EU countries too, 6.7% in 2019, compared with 7.1% in 2020.

## THEORETICAL ASPECT OF THE SHADOW ECONOMY AND INFORMAL EMPLOYMENT

The study of the shadow economy requires a scientific multidisciplinary approach not only to economy but also to anthropology, political science, sociology, psychology, public administration, criminology. The ubiquity of shadow economy is mainly connected to the developing and transition countries, even though the shadow economy activities are a daily occurrence everywhere in the world, even in the most developed countries.



The shadow economy is a complex phenomenon, and its activities are as old as humanity itself. Historically, all employment, businesses and economic activities were informal until policies and laws were introduced that created a divide between formal and informal, that is, between economic units that are registered with relevant administrative authorities and those that are not and between workers with employment-based social protection and those without it (Chen & Carré, 2020: 1).

Shadow economy is often called black market, parallel economy, informal and irregular sector, hidden economy, etc. The professional literature does not provide a single, unique definition, but instead offers quite a few definitions of “shadow economy” that are often conflicting. Many authors agree that shadow economy is “those economic activities and the income derived from them that circumvent or otherwise avoid government regulation, taxation or observation” (Schneider, 2012: 5). According to the OECD, shadow economy encompasses activities that are illegal, underground, informal and other unregistered production activities that cannot be captured by the statistical system of the country (OECD, 2002).

Informal economy is completely opposite to formal economy that is observed as a sum of all economic transactions. Regardless of so many definitions of the shadow economy, it can be said with certainty that it represents a market-based part of the legal economy that operates illegally and comprises all illegal activities, starting with unreported income from production of goods and services, via financial transactions and bartering arrangements, all the way to self-organized business activities (Schneider, 2011: 3).

Informal economy includes all unregistered economic transactions that take place out of the institutionalized economic environment. The “shadow economy” consists of several types of criminal activities, such as drug sales, bribery, smuggling, prostitution, loan sharking, casino gambling, bookmaking and other unlawful enterprises (Gharleghi & Jahanshahi, 2020: 2). In that informal sector (illegal firms) there are too many people operating outside the line of sight of the state. This “informal” sector constitutes more than 70 per cent of total employment in emerging market and developing economies and roughly one-third of output (Ohnsorge & Yu, 2021: XV). In 2020, 2 billion people work in the informal economy: 6 out of 10 workers. Informality concerns close to 9 out of 10 workers in sub-Saharan Africa and Southern Asia. As of 22 April 2020, close to 1.1 billion informal economy workers live and work in countries in full lockdown with the additional 304 million in countries in partial lockdown. These workers together represent 67 per cent of informal employment (ILO, 2020a: 1).

Employment in the informal sector includes all jobs in informal sector enterprises or all persons who, during a given reference period, were employed in at least one informal sector enterprise, irrespective of their status in employment and whether it was their main or a secondary job (Husmanns, 2004: 2). The COVID pandemic has exposed and exacerbated many of the pre-COVID inequities and injustices faced by informal workers and their families.

## METHODOLOGY FOR ESTIMATING THE INFORMAL EMPLOYMENT

Labour force survey is the only source of information on informal employment. This survey provides insight into the situation and enables monitoring of labour market changes by using internationally established indicators, including employment and unemployment rates. Additionally, this survey gives insight into socio demographic characteristics of the employed, the unemployed and persons outside of the labour force. As of 2021, the Statistical Office of the Republic of Serbia has been using a



new, redesigned methodology of the labour force survey. The survey was redesigned based on and in compliance with the new European Parliament and Council Regulation that entered into force on 1 January 2021 (Statistical Office of the Republic of Serbia, 2021a).

Informal employment rate represents a share of persons working without a formal employment contract in the total number of employed persons. This category includes persons employed in an unregistered firm, persons employed in a registered firm but without a formal employment contract and without a social and pension insurance, as well as the household members performing unpaid household services (Statistical Office of the Republic of Serbia, 2020a: 65). Statistically speaking, working age population can be classified into employed, unemployed and economically inactive persons, and the employed persons can be sub-classified according to their employment status, informal or formal nature of their jobs, the type of production units (formal sector firms, informal sector firms or households) in which the activities are performed, etc. Labour force survey does not take into consideration the formal employment status of the respondent, but it defines his/her working status based on the actual activity performed in the reference period.

Informal employment estimates are made additionally complex by the fact that the questions for identifying informal employment must refer not only to respondents' main jobs, but also to their secondary jobs. Furthermore, there is a problem with identifying persons that can be classified as informally employed only if they have been identified as employed in the first place. Children and the elderly persons who are identified as inactive population are often engaged for the activities in the informal sector, and such incompleteness of data included in the Labour force survey further complicates and obscures the informal employment data.

Informal employment is typically measured in relation to a short reference period (such as one week) which may not be representative for the whole year. Improved representativeness in the time dimension can be achieved by repeating the measurement several times during the year in the case of quarterly, monthly or continuous surveys, or by using a longer reference period such as one year in the case of annual or less frequent surveys (Husmanns, 2004: 10). When implementing a labour force survey, it is also important to include the adequate number of regions where informal workers live. It can therefore be concluded that there are certain limitations to the use of labour force surveys as a source of data on informal employment.

## ANALYSIS OF INFORMAL EMPLOYMENT DURING THE PANDEMIC

Informal economic activity is pervasive in the developing economies, accounting for one-third of GDP on average (Ohnsorge & Yu, 2021: 203). The two basic forms of covert economic activities are undeclared earnings and undeclared income, i.e. illegal trade in products (Krstić & Radulović, 2018: 14). Undeclared earnings are earnings generated by covert activity in the informal sector. They are a direct product of informal employment.

The causes of an individual's informality cannot be attributed to one factor, but more often to a whole set of factors - from the sectoral structure of the economy, historical context, the possibilities and quality of inspection supervision, to the tax system and social protection system. In that sense, the tax system and the social protection system in Serbia are often highlighted in the literature as one of the main causes of informality (Udovički & Medić, 2021: 7).

For the purposes of this paper, for the analysis of informal employment, we will refer to the research of the International Labour Organization, Impact of Lockdown Measures on the Informal Economy, from 2020 (ILO, 2020a). Almost 1.6 billion informal economy workers or 76 per cent of informal employment worldwide are significantly impacted by the lockdown measures and/or working in the hardest-hit sectors (Table 1).

**Table 1:** *Informal economy workers significantly impacted by lockdown and physical distancing measures (2020)*

|                         | Informal employment (millions) | Significantly impacted informal workers (millions) | Informal significantly impacted (%) |
|-------------------------|--------------------------------|----------------------------------------------------|-------------------------------------|
| World                   | 2.060                          | 1.564                                              | 76                                  |
| By Region               |                                |                                                    |                                     |
| Africa                  | 391                            | 325                                                | 83                                  |
| Americas                | 192                            | 169                                                | 88                                  |
| LAC                     | 158                            | 140                                                | 89                                  |
| Arab States             | 31                             | 27                                                 | 89                                  |
| Asia and Pacific        | 1.346                          | 988                                                | 73                                  |
| Europe and Central Asia | 100                            | 65                                                 | 64                                  |
| By income group         |                                |                                                    |                                     |
| High-income             | 117                            | 86                                                 | 73                                  |
| Upper-middle-income     | 716                            | 395                                                | 55                                  |
| Lower-middle-income     | 971                            | 914                                                | 94                                  |
| Low income              | 256                            | 197                                                | 77                                  |

Source: ILO, 2020a: 1.

Of the total number of informally employed in the world in 2020 (2,060 million), the number of significantly affected informal workers in the COVID-19 pandemic was 1,564 million (76% of the total number of informally employed). For them, stopping work or working remotely at home is not an option. Staying home means losing their jobs and, for many, it has also meant losing their livelihoods. To die from hunger or from the virus is the all too real dilemma faced by many of those earning their living in the informal economy (ILO, 2020a: 1). Speaking of the regions, the largest number of informal employees is in Asia and Pacific (1,346 million), Africa (391 million), Americas (192 million), LAC - Latin America and the Caribbean (158 million), Europe and Central Asia (100 million) and the Arab States (31 million). Although the Arab States have the lowest number of informally employed, the share of significantly affected informally employed by the COVID-19 pandemic is the largest in the world (89% of the total number of informally employed). Latin America and the Caribbean (89%), Americas (88%), Africa (83%), Asia and Pacific (73%) also have a high share, while Europe and Central Asia have the lowest share (64%). If the analysis is performed according to the type of income, the group of lower-middle-income (971 million) has the largest number of informal employees. It is fol-



lowed by the groups of upper-middle-income (716 million), low-income (2,656 million) and high-income (117 million). The order of significantly affected informally employed by the COVID-19 pandemic by groups is as follows: lower-middle-income (94%), low-income (77%), high-income (74%) and upper-middle-income (55%).

**Table 2:** Labour income among informal workers as a result of COVID-19

|                                       | Median monthly labour earnings (2016 PPP\$*) |                                                                                   |                |
|---------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------------|----------------|
|                                       | Before COVID-19                              | During COVID-19 (the expected level of earnings in the first month of the crisis) |                |
|                                       | Informal workers                             | Informal workers                                                                  | Difference (%) |
| World                                 | 894                                          | 359                                                                               | -59.8          |
| By region                             |                                              |                                                                                   |                |
| Africa                                | 518                                          | 96                                                                                | -81.4          |
| LAC                                   | 364                                          | 74                                                                                | -79.7          |
| Northern America                      | 2,312                                        | 429                                                                               | -81.5          |
| Asia and the Pacific                  | 549                                          | 430                                                                               | -21.6          |
| Europe and Central Asia               | 1,253                                        | 387                                                                               | -69.1          |
| By Income Group                       |                                              |                                                                                   |                |
| High-income countries                 | 1,834                                        | 445                                                                               | -75.8          |
| Upper-middle-income countries         | 497                                          | 359                                                                               | -27.7          |
| Lower-middle and low-income countries | 479                                          | 89                                                                                | -81.5          |

\* Purchasing Power Parity

Source: ILO, 2020a: 2.

The COVID-19 pandemic has led to a loss of income for informal employees. The earnings of informal employees worldwide before the COVID-19 pandemic were \$ 894 PPP (Purchasing Power Parity in 2016), while during the COVID-19 pandemic (the expected earnings in the first month of the crisis) was \$ 359 PPP, a drop in revenue from -59.8%. This decline by region is the largest in Northern America (-81.5%), Africa (-81.4%), Latin America and the Caribbean (-79.7%), Europe and Central Asia (-69.1%) and Asia and Pacific (-21.6%). Lost earnings would result in an increase in relative poverty (proportion of workers with monthly labour income below 50 per cent of median monthly labour income in the population) for informal workers and their families more than 21 percentage points in upper-middle-income countries, around 52 percentage points in high-income countries and 56 percentage points among lower-middle- and low-income countries.



**Table 3:** *Relative poverty among informal workers as a result of COVID-19*

|                                       | Relative poverty (incidence within group) |                                                                               |                |
|---------------------------------------|-------------------------------------------|-------------------------------------------------------------------------------|----------------|
|                                       | Before COVID-19                           | During COVID-19 (expected level of earnings in the first month of the crisis) |                |
|                                       | Informal workers                          | Informal workers                                                              | Difference (%) |
| World                                 | 25.6                                      | 59.4                                                                          | 33.7           |
| By region                             |                                           |                                                                               |                |
| Africa                                | 20.7                                      | 82.9                                                                          | 62.1           |
| LAC                                   | 36.1                                      | 90.1                                                                          | 54.0           |
| Northern America                      | 17.6                                      | 77.3                                                                          | 59.7           |
| Asia and the Pacific                  | 21.9                                      | 36.3                                                                          | 14.4           |
| Europe and Central Asia               | 34.1                                      | 80.2                                                                          | 46.1           |
| By Income Group                       |                                           |                                                                               |                |
| High-income countries                 | 27.5                                      | 79.7                                                                          | 52.1           |
| Upper-middle-income countries         | 25.9                                      | 47.1                                                                          | 21.2           |
| Lower-middle and low-income countries | 18.2                                      | 74.4                                                                          | 56.2           |

Source: ILO, 2020a: 2.

Assuming there is no alternative income, lost wages would result in an increase in relative poverty of informally employed and their families globally by 33.7%, in upper-middle-income countries 21.2%, in high-income countries 52.1% and in lower-middle and low-income countries 56.2%. As for the region, the largest decline in relative poverty was recorded in the African region (62.1%), while the smallest decline was recorded in the Asia and the Pacific region (14.4%).

As far as Serbia is concerned, the share of informal employment in total employment in 2019 was 18% (530,000 people). The volume of informal employment has decreased over the past few years, so that the number of informally employed persons in 2019 was about 25,000 lower than in 2018 (Branković & Pločić, 2020: 6). That share in 2020 fell to 16.4%.

**Table 4:** *Informal unemployment rate in Serbia, 2016-2020, (%)*

| Years | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------|------|------|------|------|------|
| Total | 22.0 | 20.7 | 19.5 | 18.2 | 16.4 |

Source: RZS, 2021b.

The situation regarding the composition of informal employment in Serbia is shown in Table 5.



**Table 5:** *Composition of informal employment:  
What is the prevalent form of informality in Serbia, in 2019?*

|                        |                                      |        |
|------------------------|--------------------------------------|--------|
| In the Informal Sector | Independent workers – IE/IS          | 27.4%  |
|                        | Employees – IE/IS                    | 3.3%   |
|                        | Contributing family – IE/IS          | 2.7%   |
| In the Formal Sector   | Employees – IE/FS                    | 20.2%  |
|                        | Contributing family – IE/FS          | 22.6%  |
| In Households          | Independents – IE/ Households        | 21.7   |
|                        | Employees – IE/ Households           | 2.2%   |
|                        | Contributing family – IE/ Households | 0.0%   |
|                        | Total                                | 100.0% |

Note: IE=Informal Employment, IS-Informal Sector, FS-Formal Sector

Source: ILO, 2020b: 1.

The agricultural sector participates with over 40% in total informal employment. It is followed by the domestic sector with 24.4%, while the other 8 sectors have a share of less than 10% (Table 6).

**Table 6:** *The sectoral dimension: the 10 sectors represented  
the most in the informal economy – Serbia (2019)*

| No. | Sector                  | %    |
|-----|-------------------------|------|
| 1.  | Administrative Support  | 1.3  |
| 2.  | Transport               | 1.7  |
| 3.  | Art, recreation         | 2.4  |
| 4.  | Other services          | 2.6  |
| 5.  | Accommodation & food    | 3.3  |
| 6.  | Manufacturing           | 5.0  |
| 7.  | Wholesale, retail trade | 5.8  |
| 8.  | Construction            | 8.4  |
| 9.  | Domestic workers        | 24.4 |
| 10. | Agriculture             | 40.5 |

Representation of sector X in total informal employment

Source: ILO, 2020b: 2.

Distribution of informal and formal employment by enterprise size in Serbia is such that enterprises that have 50+ employees account for 2% share in the total informal employment. Enterprises that have:

- 10-49 employees account for 8%,
- 2-9 employees, for 34%,
- 1 employee, for 56%.



Concerning formal employment in enterprises, the situation is as follows:

- 50+ employees: 33%,
- 10-49 employees: 35%,
- 2-9 employees: 18%,
- 1 employee: 14%.

This distribution shows that a share of informal employment decreases with enterprise size, while it is the other way round with formal employment, i.e. the share of formal employment increases with the size of enterprise.

**Table 7:** *The rural-urban dimension on informality – Serbia (2019)*

|                       |          | Rural | Urban |
|-----------------------|----------|-------|-------|
| Excluding agriculture | Formal   | 30.9  | 69.1  |
|                       | Informal | 55.6  | 44.4  |
| Including agriculture | Formal   | 36.2  | 63.8  |
|                       | Informal | 68.3  | 31.7  |

Source: ILO, 2020b: 2.

The situation in the sectors in which agriculture is included, in relation to the sectors that do not include agriculture, indicates the growth of informal employment in rural areas, while the representation of formal employment in urban areas is lower.

From the above analysis, it can be concluded that the impact of the pandemic on informal employment was fierce, both in the world and in the regions and national economies. The main burden of the COVID-19 pandemic was undoubtedly borne by informal employees. At the beginning of the implementation of pandemic measures, a large number of informal entities could not operate or operated with reduced capacity. This has led to a reduction in the number of informal employees. However, the number of informally employed does not tell us anything about the working hours of informal workers, and there are indications that they also dropped significantly during the crisis, as did wages. In many sectors, such as hotels and restaurants and personal services in the first place, informal workers are still largely without employment or with reduced wages. During the state of emergency, informal workers had to be affected significantly more not only because of the lower level of protection but also because informal workers could not be directly covered by economic measures. One of the problems is that they could not get permission to move during curfew, and continue working.

We note that even before the pandemic, informal workers were generally in a significantly more difficult position than formal employees. On average, informally employed earn 30% less than formally employed (Ohnsorge & Yu, 2021: 38). Informal employment characterized labour-intensive production, less educated and more poorly paid workers, limited access to financial and medical service, and poor or non-existent coverage by social security. These features are likely to intensify the spread of COVID-19 among informal workers and worsen its adverse health and economic impacts (Nguimkeu & Okou, 2019).



## MEASURES FOR MITIGATING THE ECONOMIC CONSEQUENCES OF PANDEMIC IN INFORMAL SECTORS

Lockdowns of countries and social distancing as government measures to prevent the spread of COVID 19 have had significant impact on majority of informal workers worldwide. Informal workers are most often out of reach of social support programs. If unreachable through benefits programs, informal workers are likely to feel compelled to continue working, despite the health risks (Maloney & Taskin, 2020).

Informal workers are most often employed in activities and at locations where social distancing is difficult to implement. They are compelled to work to earn a living as they do not have access to formal social benefits. Informal workers are forced to make desperate decisions and to choose whether to die of hunger or of a virus. Although they usually fall outside the tax net, such workers are often not eligible for basic social security, nor protected by basic employment rights (Oxford Business Group, 2020). Unconditional support programs and implementation of efficient delivery channels for supporting informal workers and companies is one of the main measures in fighting the disease spread. High informality and the low coverage of social protection schemes imply very weak automatic social stabilizers. This strengthens the case for discretionary support to affected workers (Diez, Duval, Maggi, Ji, Shibata & Medes Tavares, 2020: 1). Considering their limited resources, many countries with low income are compelled to ask for increased international financial resources for efficient implementation of such programs. In the time of COVID 19 pandemic, the assurance of welfare of most endangered workers, i.e. informal economy workers at this moment, is of crucial importance.

As an essential first step, governments should put a moratorium on the inspection, fines, confiscation and evictions of informal workers and their working activities. Adhering to this "Do No Harm" principle will require little (if any) financing (WIEGO, 2021). A lot of countries worldwide implement the following measures to support the informally employed persons: short-term recovery cash grants; food assistance; payment moratoriums and debt forgiveness: e.g. utility bills, rent, tuition, fines and fees; recovery stimulus packages including zero or low-interest loans and reduced taxes; provide trainings and professional certification for informal workers to improve their capacities and earning power; simplification of procedures to obtain licenses and work permits; expansion and upgrading of the existing social assistance programmes by increasing benefit levels and expanding to cover new groups of people.

Every country, including Serbia, should primarily focus on stimulating transition of informal companies and workers into formal economy. In addition to the measures aiming at mitigation of economic consequences in informal economy caused by COVID 19 pandemic, Serbia must continue with the implementation of the existing measures against shadow economy. Incentive measures are also of extreme importance, and they include further reduction of tax burden on labour, the creation of public registry for non-tax charges, the stimulation of cashless payments, the expansion of system for registering seasonal and occasional workers in construction, tourism and catering and domestic work, and the regulation of non-standard forms of work. These measures should also include tax reliefs, such as tax exemption in the first operating year, especially for priority categories, such as flat-rate businesses or specific activities, regulation of the field of crafts, digitalization of administrative procedures and a series of educational campaigns.

By adopting the National Program for Countering Shadow Economy for 2019/2020, the creators of economic policy in Serbia have set goals and principles for suppression of the informal employment and inclusion of the employees into formal flows (NALED, 2019). The action plan also includes sup-



portive fiscal measures as an incentive for self-employment and for survival of newly opened and registered firms. Incentives for employment of young, competent people are an especially important segment.

The expert group of the Government of Serbia has started drafting a new National Program for Countering Shadow Economy, the adoption of which will give a new encouragement to the improvement of inspection supervision, reduction of illegal work and informal employment (NALED, 2021).

It is necessary to regulate new forms of work engagement by enabling the employment by foreign employers, work via web portals or part-time work. This type of work is not adequately regulated and leads to informal employment. The increased flexibility of employment will help avoid the abuse of employment through leasing agencies and youth cooperatives (NALED, 2019: 38). The inclusion of informal economy into formal flows should be continued (social insurance, subsidizes loans, special tax treatment for certain categories in certain conditions, major employment reliefs via refunding a part of paid income tax and a part of paid social insurance contribution in order to encourage employers to legalize informal employees, etc.).

Since the informal employees proved to be especially vulnerable in the circumstances of pandemic outbreak, it is necessary to define additional measures that would include these extremely fragile categories of women and men. Instead of linear distribution of the same sum of money to all adult citizens, money should be distributed more carefully and given to those who need it the most. One of the categories that should be given particular support and major financial assistance are the households that do not have any formally employed members (Agency for Gender Equality and Women's Empowerment, 2020: 29).

As a country, Serbia is committed to reducing informal employment to the socially and economically acceptable level, considering the fact that there is not a single country without informal employment. The country must create such environment that would make legal operating the easiest and the most profitable form of doing business, by providing equal conditions and clear and logical rules that are not difficult to comply with but also by imposing certain sanctions on those who fail to conform despite everything.

## CONCLUSION

Informal employment is presents in all the countries in the world to a smaller or greater extent. In Serbia, approximately one in five persons (out of total number) is informally employed, while the unregistered firms make up for over 17% of the total number of business entities. In Serbia, there was not a great increase in the number of informally employed during the lock down and the beginning of the pandemic, but in many countries in the region there was. The COVID-19 pandemic has focused attention on informal workers around the world. It has also exposed and exacerbated many of the pre-COVID inequities and injustices faced by informal workers and their families. The activities focused on reducing the share of unregistered subjects in the total number of business entities, as well as on continuous reduction of those subjects and their employees' share in the total economy scale represent a priority in combating informal employment. There is no single overarching policy intervention to address the concerns associated with the informal employment. Every country considers and implements its own measures for informal employment reduction within its own capacity. Since the main causes of informal employment are the tax system and the social protection system, the measures for reduction of informal employment should include not only incentives but also the



modification of the specified factors. The main goal is to accomplish the transition from informal into formal, which implies shifting informal workers to formal jobs; registering and taxing informal enterprises; providing business incentives and support services to informal enterprises; securing legal and social protection for the informal workforce; recognizing the organizations of informal workers; and allowing their representatives to take part in rule-setting, policymaking, and collective bargaining processes.

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