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Author

Flores, Andrew R.

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The Economic Cost of Exclusion

Based on Sexual Orientation,
Gender Identity and Expression,
and Sex Characteristics in the
Labor Market in the
Republic of Serbia



Report | September 2023



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1818 H Street NW, Washington DC 20433

Telephone: 202-473-1000; Internet: www.worldbank.org



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Abbreviations

ALMP	Active Labor Market Program
ERA	LGBTI Equal Rights Association for Western Balkans and Turkey
EU-SILC	European Union Survey on Income and Living Conditions
FRA	European Union Agency for Fundamental Rights
GDP	Gross Domestic Product
ILO	International Labour Organization
Ipsos	Ipsos Strategic Marketing
LFS	Labor Force Survey
LGBTI	Lesbian, Gay, Bisexual, Transgender, and Intersex
RSD	Serbian Dinar
SOGIESC	Sexual Orientation, Gender Identity and Expression, and Sex Characteristics
UB	Unemployment Benefits



Foreword

For the first time in recent history, we are witnessing the reversal of years of development progress due to the multiple crises the world faces today. All around us, the uneven impact of the crises is in plain sight. From the inability to access vaccines in a timely way to the lack of adequate social protection systems, the poor and vulnerable have been hit the hardest, exacerbating inequality.

With this context, the proliferation of legislation that aims to criminalize or drastically increase criminalization of lesbian, gay, bisexual, transgender, and intersex (LGBTI) people is alarming. As evidenced by World Bank data and data from other development leaders, sexual and gender minorities are already among the most marginalized groups and thus at greater risk of being left behind in the responses to the current overlapping crises. Such discriminatory laws exacerbate homophobia and transphobia and regressive social and gender norms, fueling exclusion and undermining efforts to strengthen social inclusion.

In an effort to reduce discrimination and increase inclusion of sexual and gender minorities, the World Bank has been working to advance policies that aim to prevent discrimination in investment lending, through capacity building of World Bank staff and clients, and through the generation of data and evidence on the development outcomes for LGBTI people. In many countries, however, the lack of data remains a key constraint in the development of more inclusive policies and programs. To address this knowledge gap, the World Bank has committed to develop and fund a new, robust methodology to estimate the cost of exclusion. This methodology and the results from its application in Serbia and North Macedonia are presented in the report “The Economic Cost of Exclusion Based on Sexual Orientation, Gender Identity and Expression, and Sex Characteristics (SOGIESC)”.

This report is the first in a series that will shed light on the discrimination and exclusion LGBTI people face, and the resulting economic impact on the societies in which they live. A primary objective of the research is to provide policymakers, civil society, and development partners in Serbia with new data and evidence for strengthening the inclusion of LGBTI people. By looking at the economic costs of SOGIESC-based exclusion in the labor market, we aim to complement and strengthen the discourse and facilitate positive change on these issues.

The World Bank is dedicated to assisting our clients in ending extreme poverty and boost shared prosperity on a livable planet. We recognize that rising inequality and the exclusion of various social groups from services, markets, and opportunities is at odds with this commitment. By constructing socially sustainable communities and societies, in which individuals feel included in the development process and confident in their ability to benefit from it, we can ensure that everyone thrives in the long run. The inclusion of vulnerable groups is crucial not only for building a fair and equitable society, but also because exclusion is costly and impedes a society’s ability to reach its full potential.

If we are to chart a successful course through these challenging times, we must do better and move toward more sustainable and inclusive societies that reduce disparities and foster sustainable growth.

Antonella Bassani

Vice President for the Europe and Central Asia
World Bank



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Research on the cost of SOGIESC-based exclusion from the labor market in the Republic of Serbia was conducted as a partnership between the World Bank, the LGBTI Equal Rights Association for Western Balkans and Turkey (ERA), Ipsos Strategic Marketing, and the Williams Institute.

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Andrew R. Flores from the American University and the Williams Institute was the lead researcher and the central person responsible for the completion of the research.

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Executive Summary

Recent research suggests that the effects of stigma, discrimination, and exclusion against lesbian, gay, bisexual, transgender, and intersex (LGBTI) people could be costing economies billions of dollars.¹

There are numerous reasons for these costs, including adverse educational environments, employment discrimination, physical and mental health disparities, and violence. Stigma and discrimination may limit the ability of LGBTI people to reach their full potential and the ability of countries to maximize their human capital, even in societies that formally protect LGBTI people.

The primary objective of this report is to estimate the economic cost of exclusion based on sexual orientation, gender identity and expression, and sex characteristics (SOGIESC) in the Republic of Serbia and to provide the country's policy makers, civil society, and development partners with new evidence on the ongoing policy dialogue on strengthening the social inclusion of LGBTI people. To estimate the cost of exclusion, this report presents two theoretical models focused on the labor market and related issues. The first model centers mainly on the accumulated loss of individual wages due to the consequences of exclusion, which can be divided into three groups: (i) LGBTI people who are employed but not able to use their human capital to the maximum, resulting in reduced wages, (ii) LGBTI people who do not have jobs but are actively seeking work, resulting in increased unemployment, and (iii) LGBTI people who gave up looking for a job and have left the active labor force, resulting in reduced labor force participation or increased inactivity. It is important to consider not only the direct economic losses from lower incomes and labor productivity, but also the related costs, such as decreased tax revenues and increased fiscal expenditures on active labor market programs (ALMPs) and unemployment benefits (UB). Therefore, the second model calculates the negative effect of exclusion on accumulated fiscal revenues (due to lower income and payroll taxes) and expenditures (due to higher expenditures for UB and ALMP). This study does not, however, aim to estimate the overall cost of exclusion, as for instance, it does not examine the disparities in health and education.

1. M. V. L. Badgett, A. Park, and A. Flores, "Links Between Economic Development and New Measures of LGBT Inclusion," (Los Angeles, CA: Williams Institute, 2018).





Analyzing the economic cost of exclusion in Serbia required the generation of new SOGIESC-disaggregated labor market data. Such data are largely absent in most countries, including in Serbia, and therefore generating this data itself represents an important contribution to further the inclusion of LGBTI people in that country. A representative survey of the general population and of a purposive sample of LGBTI people was conducted in late 2021/early 2022 to document wages and labor force participation, relying largely on the European Union Survey on Income and Living Conditions and the Labor Force Survey in the Republic of Serbia, which are regularly conducted by the Statistical Office of the Republic of Serbia.² Among LGBTI people, self-reported experiences of discrimination and stigma in the workplace were also collected.

The main findings from the research suggest that among a wider population of people aged 60 or younger:

- ✦ The percent unemployed was higher among LGBTI people (17.5 percent) than the general population (7.2 percent), particularly among LGBTI people who experienced higher levels of workplace discrimination and stigma.
- ✦ Among LGBTI people, transgender and intersex people reported greater experiences of workplace discrimination than others.
- ✦ Wage losses were highest for LGBTI people who reported the most workplace exclusion, discrimination, and stigma.
- ✦ The annual economic loss due to SOGIESC-based exclusion totaled 31,171,000,000 RSD (US\$293 million), or 0.5 percent of the 2021 GDP in the Republic of Serbia.
- ✦ The annual fiscal loss totaled 9,322,000,000 RSD (US\$88 million), or approximately 0.1 percent of the 2021 GDP.

The proposed theoretical models and data collection effort provide a way to quantify the cost of SOGIESC-based exclusion and suggest that reducing stigma and discriminatory experiences among LGBTI people can have a significant positive impact on the economy. This would require, among other measures, the enforcement of existing legal protections against discrimination, a further strengthening of legal protections for LGBTI people in different fields (e.g., education, employment, health, private and family life, etc.), and reductions in the societal stigma faced by LGBTI people.

2. These surveys do not include information on SOGIESC.





Introduction

In recent decades, economic and social progress has contributed to a global reduction in poverty and income inequality.

The number of people living in extreme poverty—on less than US\$2.15 per person per day in 2017 purchasing power parity prices—has been steadily declining for over 20 years globally.³ However, the recent shocks to the global economy resulting from the COVID-19 pandemic and rising energy and food prices have showed that this progress can be easily reversed. In 2020 alone, the number of people living in extreme poverty likely increased by 9 percent.⁴ The current crisis will impact the already poor and marginalized disproportionately, threatening to erase decades of progress.

The World Bank and all its member states are committed to ending extreme poverty while at the same time promoting shared prosperity in a sustainable manner. These goals will remain far out of reach if the most vulnerable cannot participate in and benefit from the development process. Social inclusion and gender equality play key roles in further reducing poverty and promoting shared prosperity by improving the ability and opportunity of people who are disadvantaged on the basis of their identity to take part in society.⁵ Building socially sustainable communities and societies where people feel they are part of development and believe they will benefit from it would enable all people to thrive over time.⁶ Inclusion of vulnerable groups is important to building a more just and equitable society, but it is important also because excluding these groups is costly and hinders the ability of a society to achieve its full potential.

3. World Bank, "Poverty and Shared Prosperity 2022: Correcting Course," (Washington, DC: World Bank, 2022).

4. Ibid.

5. World Bank, "Inclusion Matters: The Foundation for Shared Prosperity," (Washington, DC: World Bank, 2013).

6. P. Barron and others, "Social Sustainability in Development: Meeting the Challenges of the 21st Century," New Frontiers of Social Policy (Washington, DC: World Bank, 2023).



The effects of exclusion are far reaching and harm individuals and their communities. Even with formal protections, stigma and discrimination against lesbian, gay, bisexual, transgender, and intersex (LGBTI) people persist. The stigma, prejudice, discrimination, and exclusion faced by LGBTI people can begin at an early age and can have many downstream effects on their well-being. Many LGBTI youth face exclusion in school by teachers and other students, which could discourage them from continuing their education and can also reduce the educational value of their years in school.⁷ If exclusion and harassment in education prevent LGBTI youth from investing in their human capital (i.e., their knowledge and skills), there may be a reduced likelihood of gainful employment, particularly in higher-skilled jobs,⁸ reduced productivity and earnings, and an increased likelihood of poverty.⁹ Stigma, prejudice, discrimination, and exclusion of LGBTI people can also lead to poorer physical and mental health, lower life expectancy, and lower labor force participation.¹⁰ In the aggregate, these adverse outcomes result in economic costs, such as higher health care and social protection costs, lower economic output, and fewer incentives to invest in human capital.¹¹ Indeed, recent research suggests that the effects of exclusion based on sexual orientation, gender identity and expression, and sex characteristics (SOGIESC) could be costing economies billions of dollars,¹² amounting to up to 1.7 percent of their GDP.¹³

The objective of this report is to estimate the economic cost of SOGIESC-based exclusion in the Republic of Serbia.

The aim also is to provide the country's policy makers, civil society, and development partners with new evidence on the ongoing policy dialogue on strengthening the social inclusion of LGBTI people. The study does not intend to provide a comprehensive assessment of the societal costs of exclusion in Serbia, such as disparities in health care and education. Instead, after engaging in a consultative process with state authorities and LGBTI civil society organizations, the study concentrates on the economic impacts of exclusion within the labor market.¹⁴ The objectives of this analysis are thus to:

1. Expand the evidence base on SOGIESC-based exclusion in the Serbian labor market through primary data collection and inform data collection and analysis on LGBTI people
2. Estimate the economic and fiscal costs of exclusion of LGBTI people and start a policy dialogue to strengthen the social inclusion of LGBTI people
3. Complement the human rights dialogue with the socioeconomic development agenda

7. M. V. L. Badgett, K. Waaldijk, and Y. Van der Meulen Rodgers, "The Relationship between LGBT Inclusion and Economic Development: Macro-Level Evidence," (World Development 120 (2019): 1-14).

8. Ibid.

9. M. Valfort, "LGBTI in OECD Countries: A Review," OECD Social, Employment and Migration Working Paper 198 (Paris: OECD, 2017).

10. OECD "Over the Rainbow? The Road to LGBTI Inclusion," (Paris: OECD, 2020).

11. Ibid.

12. M. V. L. Badgett, A. Park, and A. Flores, "Links Between Economic Development and New Measures of LGBT Inclusion," (Los Angeles, CA: Williams Institute, 2018).

13. See UNAIDS, "The Economic Costs and Development Impact of Exclusion of LGBT People," March 14, 2014, <https://www.unaids.org/en/resources/presscentre/featurestories/2014/march/20140314homophobia>.

14. This report's focus on the economic consequences of LGBTI exclusion stands alongside human rights frameworks that make complementary arguments for the full inclusion of LGBTI people in society.





LGBTI Exclusion in the Republic of Serbia

The Republic of Serbia has made important progress in protecting the human rights of LGBTI people, but data show that they are still among the most marginalized groups in that country, often deprived of their most basic rights, such as life, liberty, security of person, or equal protection under the law.¹⁵

15. Articles 3 and 7 of the Universal Declaration of Human Rights.



The European Commission Progress Report for Serbia for 2021¹⁶ and 2022¹⁷ noted that greater efforts were required to more consistently and efficiently implement regulations that specifically prevent hate speech and hate crimes.

Exclusion based on SOGIESC is widespread in various areas of life in Serbia and has far-reaching effects on the overall welfare and health of LGBTI persons.¹⁸ A survey conducted by the European Union Agency for Fundamental Rights (FRA) in 2019 found that more than half (53 percent) of LGBTI respondents from Serbia were not open about being LGBTI in daily life, and that slightly less than half (45 percent) experienced SOGIESC-based discrimination in the previous year.¹⁹ The prevalence of discrimination is particularly high among transgender people, 62 percent of whom reported experiencing it.²⁰

LGBTI people in the Serbian labor market may encounter additional barriers to workforce activity due to exclusion. The findings of the 2019 FRA survey indicated that 16 percent of LGBTI persons and 39 percent of transgender persons felt discriminated against when seeking work, while 24 percent and 40 percent, respectively, self-reported discrimination at work within the past 12 months. Almost half of the LGBTI persons surveyed stated that they usually hide their sexual orientation and gender identity in the workplace (44 percent) or are only selectively open (47 percent).²¹ All of these findings point to the pressing need for concerted efforts to foster greater inclusion of LGBTI individuals in Serbia, ensuring that they fully enjoy their human rights and can positively contribute to society and the economy.



16. EC, "Commission Staff Working Document - Serbia 2021 Report," (Strasbourg: European Commission, 2021).

17. EC, "Commission Staff Working Document - Serbia 2022 Report," (Strasbourg: European Commission, 2022).

18. World Bank, "Review of Available Data Regarding Sexual Orientation and Gender Identity in the Republic of Serbia," (Washington, DC: World Bank, 2020).

19. European Union Agency for Fundamental Rights (FRA), "A Long Way to Go for LGBTI Equality," EU LGBTI II (Luxembourg: Publications Office of the European Union, 2020). See also FRA, "LGBTI Survey Data Explorer," <https://fra.europa.eu/en/data-and-maps/2020/lgbti-survey-data-explorer>.

20. Ibid.

21. Ibid.





Methodology & Demographics

This report assesses the economic costs of excluding LGBTI people from the labor market by combining two simple bottom-up models.

The first model estimates the accumulated wage losses due to the consequences of exclusion, including costs stemming from (i) the reduced wages of working-age LGBTI people who are not able to use their human capital to the maximum, (ii) the increased unemployment of LGBTI people, and (iii) their reduced participation in the labor market. It is based on a model developed by the International Labour Organization (ILO) for estimating the cost of exclusion of people with disabilities.²² Since this model does not take into consideration other potential costs, such as higher government expenditures, the second model adapts a World Bank framework, originally employed to estimate the costs of Roma exclusion from the labor market, to estimate the fiscal loss due to SOGIESC-based economic exclusion.²³

22. S. Buckup, "The Price of Exclusion: The Economic Consequences of Excluding People with Disabilities from the World of Work," Employment Sector Working Paper 43 (Geneva: International Labour Organization, 2009).

23. World Bank, "Roma in Serbia – A Generation of Opportunities. The Economic and Fiscal Benefits of Roma Inclusion in the Western Balkans," (Washington, DC: World Bank, 2015), unpublished.



Bearing in mind that the models are based on a comparison of the labor market outcomes of LGBTI people and the general population, data on gross wages and employment status from both populations were necessary. The fiscal loss calculation further required net labor incomes. To avoid any exogenous factors that could impact the results (e.g., timing of the survey, survey vendor, data interview method, different questionnaires, among others), nearly identical online surveys for LGBTI people and for the general population were conducted to obtain the necessary data.²⁴

The data collection was led by Ipsos in partnership with the World Bank, the Williams Institute, and the LGBTI Equal Rights Association for the Western Balkans and Turkey (ERA). The Statistical Office of the Republic of Serbia provided valuable guidance on how to best capture labor incomes and employment activity by adapting their approach in the European Survey on Income and Living Conditions (EU-SILC) and the Labor Force Survey (LFS).²⁵ The survey instrument (see Annex 1) was developed in close collaboration with ERA and LGBTI civil society organizations in Serbia. Ipsos fielded the general population survey to empaneled members of its survey pool, which is designed to be a representative sample of adults in Serbia. Ipsos also hosted the LGBTI survey online with a unique link for access. Participants were recruited using an outreach strategy developed by ERA and its national member organizations. Since the LGBTI population is considered hard to reach, participants were recruited through purposive methods to participate in the online survey. The sample was not probabilistic and is not necessarily representative of the LGBTI population in Serbia, but the study followed best practices as it relates to sampling hard-to-reach populations.²⁶ Respondents were classified as LGBTI if they had identities, attractions, or behaviors that indicated they were LGBTI.

The demographics of the LGBTI sample, general population, and matched general population²⁷ are provided in Annex 2. For the LGBTI sample, people were categorized by their sexual orientation, gender identity, and intersex status. The results were reported only for larger subgroups of LGBTI people.²⁸

LGBTI respondents were younger, more highly educated, more urban, and more likely to reside in the Belgrade region than the general population. These demographic differences are similar to findings in other studies but may be attributable to both compositional differences between the LGBTI population and the general population, as well as the data collection method and outreach strategy used to recruit LGBTI participants. Thus, estimates of LGBTI people should be interpreted as better-case results, where outcomes and demographic differences could be different for LGBTI people who were not reached by the survey.

24. Alternatively, a single survey could have been conducted to capture the characteristics of the LGBTI population and could have been compared with the European Survey of Income and Living Conditions and the Labor Force Survey conducted by the Statistical Office for the entire population on a regular basis. However, comparability could have been compromised for the reasons stated.

25. Since the survey was designed to be shorter than the EU-SILC and LFS, the estimates of income and employment status presented in this report might differ from official statistics.

26. J. Wagner and S. Lee, "Sampling Rare Populations," in *Health Survey Methods*, ed. Timothy P. Johnson (New York: Wiley, 2014).

27. A matching method was used so that the general population is re-weighted to match the characteristics of the LGBTI sample.

28. If a person was intersex, they were categorized as such. If a person indicated they were transgender but not intersex, they were categorized as transgender, including those who were gender non-binary. The remaining respondents were grouped by sexual orientation.



Experiences of Workplace Discrimination and Exclusion among LGBTI People

The findings showed significant levels of workplace discrimination in the Republic of Serbia.

Surveyed LGBTI people were asked to describe their experiences of workplace discrimination and exclusion. About 16 percent of the LGBTI sample had experienced workplace discrimination in hiring, firing, professional advancement, salary, tasks, and other job-related situations within the past five years, and 10 percent had experienced this type of discrimination in the past year. About 9 percent of the LGBTI sample had quit a job due to SOGIESC-based discrimination and 8 percent had taken a leave of absence for the same reason. About 48 percent of the LGBTI sample reported hiding their LGBTI status at work often or always. Workplace experiences of verbal harassment about SOGIESC directed at oneself or at other colleagues were less frequent, with 14 percent reporting often or always encountering verbal harassment directed against oneself, and 32 percent reporting this harassment directed at others.

Transgender and intersex persons reported more workplace discrimination and adverse workplace experiences. Figure 1 summarizes the experiences of workplace discrimination broken down by LGBTI subgroups. Although LGB participants reported experiences similar to the whole LGBTI group, transgender people disproportionately reported experiences of workplace discrimination and lifetime experiences of quitting a job due to workplace discrimination. One in three intersex participants reported experiencing workplace discrimination in the past five years. Figure 2 shows that transgender participants tended to report greater frequency of adverse workplace experiences relative to other LGBTI subgroups. Among LGB participants lesbian and bisexual women reported workplace discrimination more frequently than gay and bisexual men.

These indicators of workplace discrimination and exclusion were combined to create a discrimination scale. The study used responses to develop a scale of adverse workplace experiences to create three equal-sized groups to represent those with low, moderate, and high levels of experience with workplace discrimination. These three groups were then used to estimate the economic cost of SOGIESC-based exclusion.



Figure 1. Experiences and Effects of Workplace Discrimination and Exclusion by LGBTI Subgroup

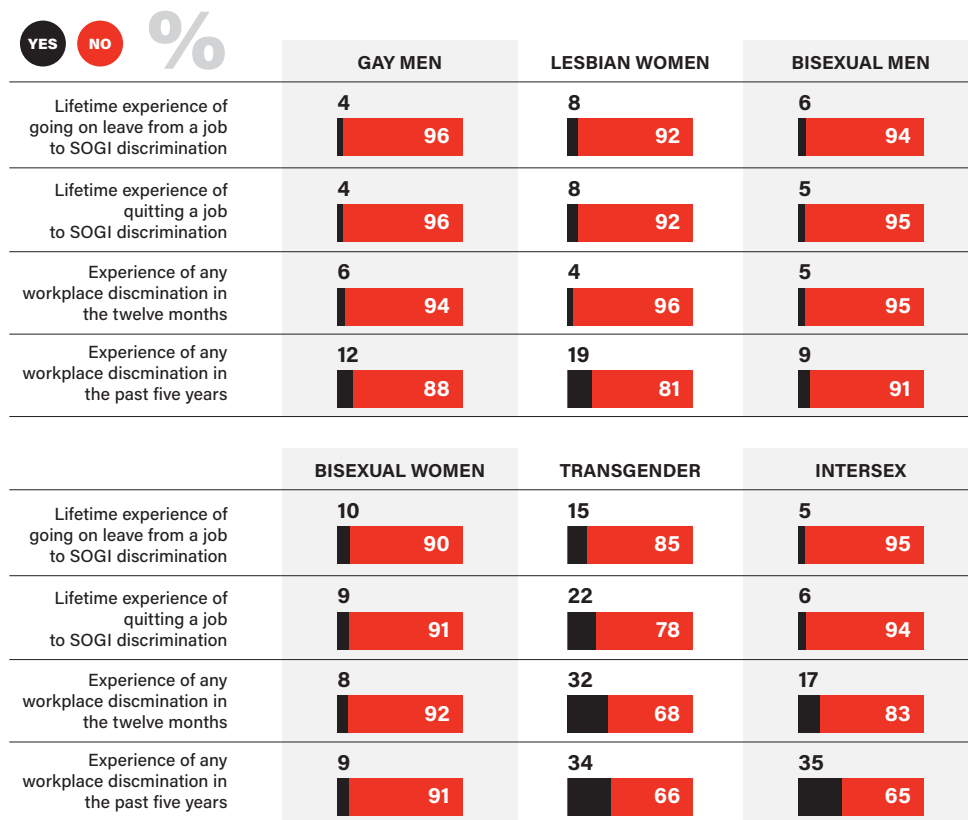
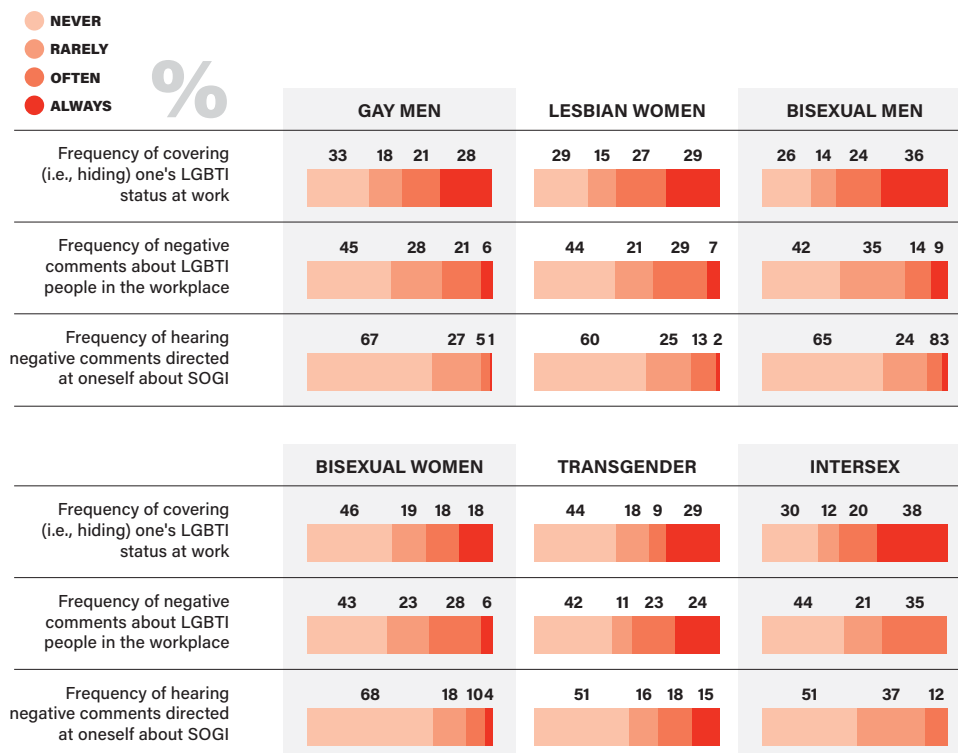


Figure 2. Frequency of Adverse Workplace Experiences by LGBTI Subgroup



NOTE: Numbers may not add to 100 due to rounding.

The Economic and Fiscal Cost of SOGIESC-based Exclusion

The building blocks of the first theoretical model of the cost of exclusion include employment activity and inactivity, as well as income of the general population and LGBTI people by gender.²⁹

The model further stratifies the LGBTI sample by their experiences of discrimination to estimate the cost of exclusion. Table 1 documents these variables by gender. Among men, median gross annual earnings were about 720,000 RSD (US\$6,731), and among women, 621,018 RSD (US\$5,806). The Statistical Office reported that median annual incomes in the same time frame were 718,780 RSD (US\$6,720).³⁰ Thus, the estimate of income in this study was slightly lower than official tabulations when combining both men and women (684,350 RSD or US\$6,397). Activity and inactivity observed were similar to those reported by the Statistical Office for 2021.³¹ Table 1 also summarizes the median incomes and employment activity for the LGBTI sample broken down by current gender and discrimination strata. Overall, the study found that 69.9 percent of LGBTI people were employed, 17.5 percent unemployed, and 12.6 percent inactive.³² Earnings tended to be lower, and rates of unemployment higher, for those in the higher discrimination strata than those in the lower discrimination strata.

29. A limitation of the theoretical model is that a cost cannot be derived for gender non-binary LGBTI people, as there is not a reference group in the general population. Future examinations of the theoretical model should consider the extent to which gender-based analyses affect the cost of exclusion estimate and what a baseline reference group would be for those who are non-binary.

30. Only median monthly net incomes were reported, so the estimate was converted to annual gross incomes. Gender breakdowns in incomes were not reported. Source: Statistical Office of the Republic of Serbia, "Average Salaries and Wages per Employee, February 2022," <https://publikacije.stat.gov.rs/G2022/HtmlE/G20221106.html>.

31. Statistical Office of the Republic of Serbia, "Rates of Activity, Employment, Out of Labour Force and Unemployment (from 2010)," April 2022, <https://data.stat.gov.rs/Home/Result/240003020102?languageCode=en-US>.

32. Since the sampling strategy for the LGBTI sample was purposive, it is not appropriate to directly compare incomes of the LGBTI sample to the general population. The compositional differences between the LGBTI sample and the general population likely impact earnings.



Table 1. Median Gross Annual Incomes and Labor Activity for the General Population and the LGBTI Sample by Levels of Discrimination (aged 60 and younger)

Group	Median Gross Income (RSD) ^a	β	Employed (%)	Unemployed (%)	Inactive (%)
Men					
General Population	719,905		69.0	6.3	24.8
LGBTI Sample	945,462		73.4	16.6	9.9
Discrimination Level					
None ^b	785,430	1	74.1	12.3	13.6
Low	1,254,361	1.60	70.8	13.9	15.3
Moderate	1,042,602	1.33	83.4	9.2	7.4
High	833,575	1.06	66.6	26.2	7.2
Women					
General Population	621,018		60.2	8.7	31.1
LGBTI Sample	705,023		65.3	18.5	16.2
Discrimination Level					
None ^b	781,018	1	69.4	15.9	14.7
Low	855,024	1.09	66.8	14.7	18.5
Moderate	919,415	1.18	72.4	10.6	16.9
High	545,718	0.70	58.5	28.6	12.9

^a Only of earners in the past year. All estimates are of those aged 60 or younger. FRA weights are applied to the LGBTI sample.

^b These estimates were derived from the weighted general population after matching on the background characteristics of the LGBTI sample.

There is an estimated total economic loss of 31,171,000,000 RSD (US\$293 million) annually, or 0.5 percent of the Serbian GDP. The elements of the cost of SOGIESC-based exclusion are combined to provide an overall estimate of economic loss in Table 2. These estimates assumed that LGBTI people comprise 7.68 percent of the adult population.³³ Among men, the study estimated that there was an economic loss of 12,453,000,000 RSD (US\$117 million) due to the cost of SOGIESC-based exclusion, and among women, the estimated economic loss was 18,718,000,000 RSD (US\$176 million). The study found that varying the size of the LGBTI population from 3 to 15 percent (not shown in the table) results in a range of costs from 12,421,000,000 RSD (US\$116 million) to 62,106,000,000 RSD (US\$581 million). Furthermore, some LGBTI people, particularly those facing lower levels of discrimination, reported higher wages and lower unemployment rates. This suggests a potential economic gain resulting from reduced discrimination and highlights the potential economic benefits of implementing stronger inclusion policies.

33. European Union Agency for Fundamental Rights (FRA), "A Long Way to Go for LGBTI Equality - Technical Report," (Luxembourg: Publications Office of the European Union, 2020).



Table 2. Economic Loss Estimates due to SOGIESC-Based Exclusion (aged 60 and younger)

	Discrimination Level		
	Low	Moderate	High
	Men		
Percent of people in group	33.0	32.4	34.6
Number of people in group ^a	96,780	95,021	101,473
Loss productivity adjustment factor (γ_i^l)	0.033	0.00	0.139
Gain productivity adjustment factor (γ_i^g)	-0.445	-0.368	-0.104
$P * n_i * \gamma_i^l$ (millions)	2,299	0	10,154
$P * n_i * \gamma_i^g$ (millions)	31,004	25,173	7,597
Total economic loss (RSD millions)	12,453		
	Women		
Percent of people in group	33.7	30.6	35.6
Number of people in group ^a	79,727	72,393	84,222
Loss productivity adjustment factor (γ_i^l)	0.038	0.022	0.303
Gain productivity adjustment factor (γ_i^g)	-0.072	-0.183	-0.018
$P * n_i * \gamma_i^l$ (millions)	1,881	989	15,848
$P * n_i * \gamma_i^g$ (millions)	3,565	8,227	941
Total economic loss (RSD millions)	18,718		
	Men and Women Combined		
Total economic loss (RSD millions)	31,171		

^a Assuming that 7.68 percent of the Serbian population is LGBTI.

The second theoretical model aims to estimate the fiscal loss. Based on official data obtained from Serbia's National Employment Services' report for 2021, the average annual unemployment benefit was 291,198 RSD (US\$2,724) per beneficiary, and the average annual active labor market program expense was 62,145 RSD (US\$581). The fiscal loss model sums these expenditures and multiplies the total by the difference in the share of unemployed between the LGBTI sample and the general population. The study found that the average expenditure loss was 15,194 RSD (US\$142) per every GBTI man and 9,187 RSD (US\$86) per every LBTI woman. Combining the fiscal expenditure losses with the estimated fiscal revenue loss and weighting that by the size of the LGBTI population, the study estimates that fiscal losses total 4,456,000,000 RSD (US\$41 million) for GBTI men, 4,866,000,000 RSD (US\$46 million) for LBTI women, and 9,322,000,000 RSD (US\$88 million) overall, or approximately 0.1 percent of the 2021 GDP in the Republic of Serbia.

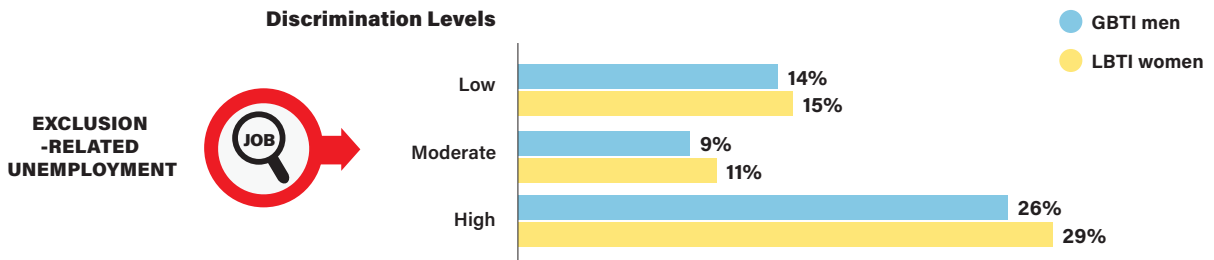
The two theoretical models show different elements of the economic cost of SOGIESC-based exclusion that harms the Serbian economy. The study findings suggest that the greatest source of wage losses stem from the subgroup of individuals who self-report the greatest amount of workplace discrimination and adverse workplace experiences. Adding to that, the higher percent of LGBTI people who are unemployed contributes to both wage and fiscal losses. Thus, the Serbian economy is estimated to lose millions related to SOGIESC-based exclusion. Figure 3 puts all the elements together to highlight how the various experiences of stigma, prejudice, discrimination, and exclusion have downstream consequences on human capital that, in the aggregate, result in economic and fiscal losses.³⁴

34. Some portion of the elements of the first cost model shares some of the estimated costs of the second cost model. Thus, it is not appropriate to combine these two cost estimates.



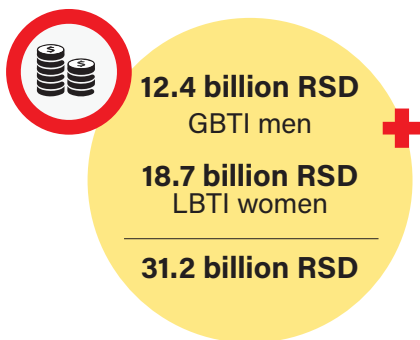
Figure 3. The Economic and Fiscal Cost of SOGIESC-based Exclusion

Understanding wage loss in Serbia



Total economic and fiscal cost of LGBTI exclusion

ANNUAL WAGE LOSS

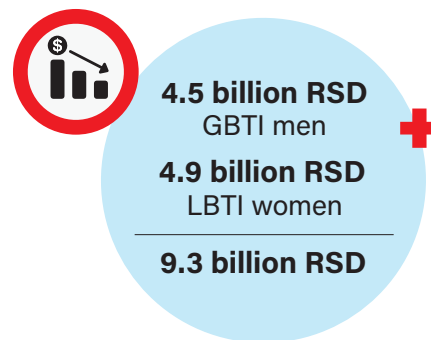


Wage loss due to LGBTI exclusion equals

0.5%

of the 2021 GDP in the Republic of Serbia

ANNUAL FISCAL LOSS



Fiscal loss due to LGBTI exclusion equals

0.1%

of the 2021 GDP in the Republic of Serbia

Conclusion

A nation's economy can be adversely affected by stigma and discrimination against LGBTI people.

There are many plausible theoretical mechanisms that explain how economies can be affected. Previous research clearly demonstrates theoretically and empirically how economies can lose because members of society are kept from their full potential.³⁵ LGBTI people are one such group where persistent stigma, prejudice, and discrimination may keep them from reaching their full human capital.³⁶ This study develops two theoretical models to quantify the economic and fiscal losses that result from excluding LGBTI people from the workforce and shows that the economy of the Republic of Serbia is losing out due to SOGIESC-based discrimination and exclusion in the labor market.

A commitment to end extreme poverty and promote shared prosperity needs to consider marginalized segments of society. Exclusion of some marginalized groups like LGBTI people may be entrenched such that economic development does not benefit them. In turn, failing to include all groups in the development process is costly and limits the ability of whole societies to achieve their full potential. The study findings for Serbia show that LGBTI people with more adverse workplace experiences are economically less well-off and more likely to be unemployed, evidencing the cost of SOGIESC-based exclusion. They further suggest that some LGBTI people who face fewer experiences of workplace discrimination and exclusion can actually benefit economies. Thus, building more inclusion could enhance Serbia's economic well-being.

The findings presented here contain limitations. The purposive sampling strategy for the LGBTI sample means that the extent to which the results are generalizable to all LGBTI people in Serbia is unknown. It is likely that some of the most vulnerable LGBTI people were not reachable thus not able to participate in the survey (e.g., individuals who lack access to the internet, reside in more rural locations, and/or lack stable housing or employment). The cost estimates may then be a lower bound of what may be a much higher cost, especially when taking into consideration the costs associated with discrimination in education, health, and other areas of life.

There is ample opportunity for future research on the cost of excluding marginalized groups. The theoretical models presented here do not provide a method to estimate the cost of exclusion for those who are gender non-binary, for example, and thus future work should develop models that are neutral with respect to gender. Further, the model could be extended to consider multiple axes of exclusion that may better characterize a person's economic and social well-being. This research also provides avenues for showing the benefits of creating supportive workplace environments, and these cost models also indicate what government and society can gain from being more inclusive of marginalized populations. The theoretical models presented in this report and implemented as part of the study can serve as useful starting points for these future endeavors.

35. World Bank, "Inclusion Matters: The Foundation for Shared Prosperity," (Washington, DC: World Bank, 2013).

36. OECD, "Over the Rainbow? The Road to LGBTI Inclusion," (Paris: OECD, 2020).



Recommendations

One of the primary objectives of this research was to provide Serbian policy makers, civil society, and development partners with new data to strengthen the inclusion of LGBTI people.

Serbia, as a candidate for EU membership, has agreed to key reforms as part of the EU accession charter, and in its 2022 accession report, the European Commission pointed out that, "Hate speech, threats and violence continued to target human rights defenders and lesbian, gay, bisexual, transgender, intersex and queer (LGBTIQ) persons."³⁷ Therefore, additional efforts are required to meet the requirements set forth in Chapter 23: Judiciary and Fundamental Rights, and Chapter 24: Justice, Freedom, and Security of the *acquis* for accession. Although important progress has been made, the data presented in this report show that more work is required to ensure that non-discrimination becomes a lived reality for LGBTI people in Serbia. This research for the first time puts a price on SOGIESC-based discrimination and exclusion in Serbia, providing additional incentives to promote an inclusive and equitable society. The research identifies three primary areas for action as described below.

1 Collect SOGIESC-disaggregated data.

The LGBTI data gap remains large, and further research and data collection efforts are necessary to better understand the lived experience of LGBTI people and the challenges they face in different domains (e.g., employment, education, health, etc.). The Statistical Office of the Republic of Serbia should, in partnership with LGBTI civil society organizations, development partners, and experts, explore ways in which official surveys could begin to collect SOGIESC-disaggregated data in a safe, secure, and inclusive manner. Although this research adds to a growing dataset on the lives of LGBTI people, systematic and recurrent data collection by the Statistical Office and other relevant institutions is essential to informing policy making and assessing the effectiveness of policies over time.

Particular attention is required to ensure that non-binary, transgender, and intersex people, as well as LGBTI people with multiple intersecting marginalized identities, form part of future data generation efforts. This research has shown that transgender and intersex people face unique challenges, but it also demonstrates the difficulty in reaching them as part of these kinds of data-gathering activities. Therefore, it is necessary to develop not only inclusive instruments for collecting data but also new approaches to contacting hard-to-reach LGBTI subgroups.

37. EC, "Commission Staff Working Document - Serbia 2022 Report," (Strasbourg: European Commission, 2022).





Box 1. Collecting SOGIESC-Disaggregated Data: Emerging Practices

Data on the lived experience of LGBTI people are lacking globally, including in Serbia, limiting governments' ability to develop effective and targeted policy responses to address discrimination and exclusion.

However, gathering such data is challenging for several key reasons. As extensive literature has documented, LGBTI people worldwide face stigmatization, discrimination, and exclusion in everyday life, so they often decide not to be open about their identity. Data collection efforts that rely on face-to-face methods where respondents need to disclose their SOGIESC to an enumerator might lead to extensive underreporting, especially in situations where LGBTI people face extensive discrimination or when they doubt the confidentiality of the gathered data. Despite these challenges, an increasing number of statistical agencies are including SOGIESC-identifying questions in household surveys or censuses, for example in Argentina (2022), Ecuador (2022), or the United Kingdom (2021). FRA and the World Bank have successfully implemented large-scale online surveys of LGBTI people in the EU and the Western Balkans. Although these online surveys rely on a non-probabilistic convenient sample and cannot be considered representative, they provide important insights into the lives of LGBTI people. Regardless of the survey instrument, some key considerations to bear in mind are:

- 1. Use inclusive language:** Use language that is inclusive of all sexual orientations and gender identities and expressions, and avoid using binary or heteronormative assumptions.
- 2. Provide clear definitions:** Provide clear definitions of all terms to ensure that respondents understand the questions and can answer them accurately.
- 3. Ensure confidentiality:** Ensure that the data collected are kept confidential and that LGBTI individuals are not at risk of discrimination or persecution as a result of their responses.
- 4. Conduct outreach:** Work directly with local LGBTI organizations to encourage participation and ensure that respondents are aware of the purpose and importance of the research.
- 5. Test questions:** Test questions with LGBTI individuals and organizations to ensure that they are clear, relevant, and respectful.

2 Effectively implement existing non-discrimination legislation.

The legislative framework for protecting the rights of LGBTI people in the labor market in Serbia is largely in place, but additional efforts toward the consistent and effective implementation of legislation are still needed. The Law on the Prohibition of Discrimination, an umbrella anti-discrimination regulation, prohibits discrimination in the field of labor on the basis of sex, gender, gender identity, sexual orientation, and sex characteristics, among other qualities. Moreover, article 18 of the Serbian Labor Code prohibits direct and indirect forms of discrimination based on sexual orientation, while gender and gender identity are covered under “any other personal quality.” However, the current data indicate the disparity between legal protections and the lived experiences of LGBTI people in the labor market. Additional meaningful efforts are required to ensure the full implementation of existing legal protections, and a thorough assessment of the relevant laws and policies is encouraged to close the legal gaps that might encourage discrimination against and the exclusion of LGBTI people.

The recently adopted Strategy for Prevention and Protection against Discrimination for the period 2022–2030 acknowledges that labor market discrimination against LGBTI people remains a challenge and defines activities to tackle this problem in the 2022–2023 Action Plan. The Strategy notes that “it can be concluded that members of the LGBT* population are discriminated against in the workplace and that the majority experience verbal violence, the threat of physical violence and actual physical violence, as well as the threat of dismissal. Young LGBT* people are exposed to poverty, due to the inability to access the labor market and secure income. Also, there are no measures to encourage the employment of LGBT* people, even though this population is at greater risk of discrimination.”³⁸ Fostering inclusive and equitable societies for all requires a concerted effort by the state across all sectors. The anti-discrimination strategy can play an important role, but adequate budget and ongoing monitoring are required to ensure its effective implementation. In addition, the government should consider reviewing existing reporting mechanisms and strengthening their effectiveness to ensure that they are accessible for LGBTI people and that they resolve cases without fear of exposure, retaliation, or further discrimination.

3 Make workplaces LGBTI friendly.

Hostility toward LGBTI people in the labor market is costly for the economy and harmful to employers.³⁹ As the existing research suggests, companies that have employee-friendly policies and practices experience various benefits, including better financial performance, stronger competitiveness in the labor market, and the increased engagement and motivation of employees.

In order to meet legal responsibilities but also improve competitiveness and attract and retain the best possible talent, employers need to make their selection processes and workplaces inclusive for LGBTI people. Therefore, the institutions in Serbia in charge of human resource management and development in public administration at the national and local levels, including the Ministry of Public Administration and Local Self-Government, the Human Resource Management Service of the Government of the Republic of Serbia, the National Academy for Public Administration, the Council for Professional Development of Employees in Local Self-Government Units, and the Chamber of Commerce of Serbia, can play an important role in promoting workplace diversity and SOGIESC inclusion.

38. “The Strategy for Prevention and Protection against Discrimination for the Period 2022–2030,” page 67, own translation.

39. J. Miller and L. Parker, “Open for Business – Strengthening the Economic Case,” (London: Open for Business, 2018).



Annex 1

Data and Questionnaire

The following link provides access to the questionnaire and the datasets used for this analysis:
<https://www.worldbank.org/en/region/eca/publication/economic-cost-of-exclusion-lgbti>.

Annex 2

Demographics

Table A2.1. Demographics of LGBTI Sample and General Population (aged 60 and younger)

	Under 60		Matched (under 60) ^a	
	LGBTI (n = 714)	General Population (n = 704)	LGBTI (n = 706)	General Population (n = 704)
LGBTI Group				
Gay Men	33.5%	--	33.8%	--
Lesbians	17.2%	--	17.3%	--
Bisexual Men	12.8%	--	12.9%	--
Bisexual Women	19.3%	--	19.4%	--
Transgender	14.8%	--	14.5%	--
Intersex	2.4%	--	2.1%	--
Age				
18–29	38.1%	26.8%	37.9%	36.5%
30–44	45.7%	35.1%	45.9%	45.6%
45–60	16.2%	38.1%	16.2%	17.9%
Current Gender Identity^b				
Man	54.9%	50.3%	55.4%	54.8%
Woman	44.3%	49.8%	44.7%	45.2%
Non-binary/Refused	0.7%	--		
Educational Attainment				
Lower	7.0%	13.3%	6.7%	4.6%
Secondary	38.5%	66.0%	38.5%	41.5%
Higher	54.5%	20.8%	54.8%	53.9%
Urbanicity				
Urban	64.9%	32.8%	65.1%	64.8%
Suburban	5.8%	7.4%	5.6%	5.7%
Small Town	22.6%	34.4%	22.6%	21.4%
Rural	6.7%	25.4%	6.6%	8.2%
Region				
Belgrade	55.1%	24.7%	55.1%	53.8%
Vojvodina	27.1%	27.5%	27.1%	26.6%
Sumadija and West Serbia	9.4%	26.6%	9.4%	9.9%
South and East Serbia	8.4%	21.3%	8.4%	9.7%

Note: Not all percentages may add up to 100 due to rounding.

^a Since the matching method considers a respondent's gender in the LGBTI sample and sex in the general population, respondents who are gender non-binary are excluded in the matched analysis.

^b Respondent's sex is reported for the general population.



The matched general population approximates the characteristics of the LGBTI sample. Table A2.1 also documents the demographics of the LGBTI sample and the general population when the latter is re-weighted to match the characteristics of the LGBTI sample. These weights minimize the differences observed between the LGBTI sample and the general population, particularly for age, educational attainment, urbanicity, and region of residence in the country. For the theoretical models, the matched estimates of the general population were used to approximate productivity levels and the ILO status of LGBTI people had they not been LGBTI.

Table A2.2 documents the demographics of the LGBTI respondents by LGBTI subgroup. Bisexual women tended to be younger than other LGBTI subgroups, and intersex people tended to be older than other LGBTI subgroups. Transgender and intersex people had lower levels of educational attainment than other LGBTI subgroups. All LGBTI respondents tended to reside in urban centers, and most LGBTI respondents resided in Belgrade.

Table A2.2 Demographics of LGBTI Sample by LGBTI Subgroup (aged 60 and younger)

	Gay Men (n = 310)	Lesbians (n = 120)	Bisexual Men (n = 52)	Bisexual Women (n = 136)	Trans People (n = 76)	Intersex People (n = 20)
Age						
18–29	32.7%	37.0%	39.5%	54.5%	31.6%	21.0%
30–44	49.6%	47.1%	40.5%	33.5%	55.5%	46.4%
45–60	17.7%	15.9%	20.0%	12.0%	12.9%	32.6%
Educational Attainment						
Lower	3.7%	1.5%	12.3%	0.5%	24.2%	9.6%
Secondary	33.9%	43.8%	33.2%	46.2%	34.9%	53.6%
Higher	62.4%	54.7%	54.4%	53.4%	40.9%	36.8%
Urbanicity						
Urban	66.7%	67.7%	50.6%	73.1%	60.8%	56.1%
Suburban	6.5%	5.2%	7.3%	2.0%	8.6%	4.2%
Small Town	19.4%	21.7%	26.9%	21.4%	28.5%	24.7%
Rural	7.4%	5.4%	15.2%	3.5%	2.1%	15.1%
Region						
Belgrade	56.8%	63.2%	42.7%	57.2%	50.0%	53.6%
Vojvodina	26.6%	25.2%	25.6%	23.9%	35.5%	31.4%
Sumadija and West Serbia	8.8%	6.7%	21.2%	5.0%	10.2%	4.2%
South and East Serbia	7.8%	4.9%	10.5%	14.0%	4.3%	10.9%



