



Government  
of the Republic of Serbia

Ministry of Labor, Employment, Veterans  
and Social Affairs

# EMPLOYMENT STRATEGY OF THE REPUBLIC OF SERBIA

2021-2026







Schweizerische Eidgenossenschaft  
Confédération suisse  
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**Swiss Agency for Development  
and Cooperation SDC**



**SOCIAL INCLUSION AND  
POVERTY REDUCTION  
UNIT**



## **EMPLOYMENT STRATEGY OF THE REPUBLIC OF SERBIA 2021–2026**

### **PUBLISHER:**

Social Inclusion and Poverty Reduction Unit of the Government of Serbia

### **PUBLISHED IN:**

Belgrade, April 2021

### **DESIGN AND PRE-PRESS:**

Miloš Radulović

### **PRESS:**

JP Službeni glasnik, Belgrade

### **CIRCULATION:**

200

**ACKNOWLEDGMENTS:** The publication was made within the “Education to Employment - E2E” Program with the support of the Government of Switzerland

**DISCLAIMER:** This publication does not reflect the official views of the Government of Switzerland. All terms used in the publication in the masculine grammatical gender shall be understood to include both sexes.



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**(Official Gazette of the Republic of Serbia, No 18/21 and 36/21 - correction)**

Pursuant to Article 38, paragraph 1 of the Law on the Planning System of the Republic of Serbia (Official Gazette of RS, No 30/18),

The Government hereby adopts the following

## **EMPLOYMENT STRATEGY OF THE REPUBLIC OF SERBIA 2021-2026**



## I INTRODUCTION

As the reference period of the applicable strategic document in the area of employment (the National Employment Strategy 2011-2020, Official Gazette of RS, No 37/11) was nearing its end and in view of the need to ensure continuity in employment policy implementation, as well as its further development in line with the national labour market needs and the continuation of its alignment with the European Union Member States' standards pertinent to this area, the Ministry of Labour, Employment, Veteran and Social Affairs undertook to prepare the new Employment Strategy of the Republic of Serbia 2021-2026 (hereinafter: the Strategy).

The development of the Strategy was supported by the "Education to Employment" programme, implemented by the Social Inclusion and Poverty Reduction Unit of the Government of the Republic of Serbia and the NIRAS - IP Consult, with financial support from the Swiss Cooperation Office (SCO), notably through the ex-post analysis of the National Employment Strategy 2011-2020, the ex-ante analysis of the Employment Strategy of the Republic of Serbia 2021-2026, as well as other analytical documents produced under this programme. Significant support was provided by the International Labour Organisation through its analyses of the required capacities and preconditions for efficient employment policy making and implementation. Important contribution to the Strategy development process was also provided by the German Agency for International Cooperation (GIZ).

Based on the aforesaid analyses, which were taken as the groundwork for the preparation of the Strategy, the results achieved in the previous ten-year period were considered and the courses of employment policy development in the next six years were determined.

### ***1.1. Stakeholder consultation***

The first steps towards the preparation of the Strategy were taken in mid-2020, when the Working Group<sup>1</sup> for Preparing the Draft Employment Strategy of the Republic of Serbia 2021-2026 and the Accompanying Employment Action Plan 2021-2023 (hereinafter: the Working Group) was formed.

During the Strategy's development, the consultation process was conducted on a continuous basis. The Working Group convened three times, in June and November 2020, and in January 2021. Moreover, as part of the ex-ante analysis of the Employment Strategy of the Republic of Serbia 2021-2026, three focus group discussions were organised and conducted with decision-makers at the national level, social partners and representatives of civil society organisations and independent experts in the area of employment. The objective of the focus group discussions was to formulate recommendations for efficient solutions to identified problems, based on different stakeholders' perspectives. The given recommendations are an integral part of the ex-ante analysis.

Once the Draft Strategy was prepared, a public review was organised in the period from 25th December 2020 to 13th January 2021, and the Draft Strategy was published on the website of the Ministry of Labour, Employment, Veteran and Social Affairs and on the e-Government portal.

Most of the comments received during the public review called for clearer and more accurate formulation of the measures for achieving the targets with additional performance indicators, the provision of a stable and expanded financial framework for the implementation of the Strategy, as well as the identification of a mechanism for a coordinated implementation of the Strategy. These comments were considered and responded to in the Report on the Conducted Public Review of the Draft Employment Strategy of the Republic of Serbia 2021-2026, which is available on the website of the Ministry of Labour, Employment, Veteran and Social Affairs, as well as on the e-Uprava (e-Government) portal.

On 28 January 2021, the Draft Strategy was presented to the Socio-Economic Council's standing bodies in charge of legislation and economic affairs. The Draft Strategy was also discussed at the Socio-Economic Council session held on 5 February 2021, as well as at the session of the National Employment Council held on 9 February 2021.

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<sup>1</sup> Institutions and entities involved in the Working Group activities: Ministry of Labour, Employment, Veteran and Social Affairs, Ministry of Economy, Ministry of Education, Science and Technological Development, Ministry of Public Administration and Local Self-Government, Ministry of European Integration, Ministry of Finance, Ministry of Youth and Sports, National Employment Service, Public Policy Secretariat of the Republic of Serbia, Chamber of Commerce and Industry of Serbia, Statistical Office of the Republic of Serbia, Development Agency of Serbia, Serbian Association of Employers, Confederation of Autonomous Trade Unions





## II LEGAL FRAMEWORK AND PLANNING

### DOCUMENTS OF RELEVANCE TO THE STRATEGY

The laws regulating the area of employment, as well as those bearing relevance to this area, include:

**The Law on Employment and Unemployment Insurance** (*Official Gazette of RS, Nos 36/09, 88/10, 38/15, 113/17 - as amended, and 113/17*) provides a definition of employment services, which include the provision of information about employment opportunities and requirements, job matching services in Serbia and abroad, career guidance and counselling, implementation of active labour market measures, issuance of work permits to foreigners and stateless persons, in conformity with the law. Employment service providers are the National Employment Service and employment agencies.

**The Law on Professional Rehabilitation and Employment of Persons with Disabilities** (*Official Gazette of the RS, Nos 36/09 and 32/13*) regulates the incentives for hiring persons with disabilities in order to facilitate their inclusion in the labour market at equal terms, work ability assessments, the statutory obligation to hire persons with disabilities, the requirements for establishing and managing an enterprise for professional rehabilitation and employment of persons with disabilities and other special forms of employment and engagement of persons with disabilities, as well as other issues of relevance to professional rehabilitation and employment of persons with disabilities.

**The Law on the Employment of Foreigners** (*Official Gazette of RS, Nos 128/14, 113/17, 50/18 and 31/19*) regulates the requirements and procedures for the employment of foreigners in the Republic of Serbia and other issues of relevance to the employment and work of foreigners in the Republic of Serbia. A foreigner employed in the Republic of Serbia in conformity with this law has the same rights and obligations with respect to work, employment and self-employment as Serbian citizens do. Foreigners are employed under the requirement that they obtain a long-stay visa on grounds of employment, a temporary or permanent residence permit and a work permit, unless otherwise stipulated in this law.

**The Labour Law** (*Official Gazette of the RS, Nos 24/05, 61/05, 54/09, 32/13, 75/14, 13/17 – amended by Constitutional Court decision, 113/17 and 95/18 – authoritative interpretation*), as a general law in the area of labour, governs the conclusion of employment contracts and other labour contracts, working time and other rights, obligations and responsibilities of employees and other workers arising out of labour and on the grounds of labour, as well as other working conditions, except the requirements to ensure occupational safety and health.

**The Law on Simplified Arrangements for Seasonal Work in Certain Areas** (*Official Gazette of RS, No 50/18*), given the specific nature and conditions of seasonal work in certain areas, regulates simplified arrangements for work and the payment of tax and contributions in seasonal jobs in the sector of agriculture, forestry and fisheries, in conformity with the regulation stipulating the classification of economic activities.

**The Law on Temporary Agency Work** (*Official Gazette of RS, No 86/19*) regulates the protection of the rights of workers concluding employment agreement with temporary employment agencies in order to be leased temporarily to the user employer, equal treatment of leased employees with respect to the exercise of certain rights arising out of labour and on the grounds of labour, employee leasing procedures and requirements etc.

**The Law on the National Qualifications Framework of the Republic of Serbia** (*Official Gazette of RS, Nos 27/18 and 6/20*) establishes the National Qualifications Framework in Serbia (NQFS) as a system for regulating qualifications; specifies its purpose, objectives and principles, qualification types and levels, qualification attainment methods (through: formal education, non-formal education, informal education – life or work experience), qualification level descriptors, career guidance and counselling, links between qualification standards and the labour market and occupations, the bodies and organisations competent for NQFS implementation and development; assesses the equivalence of qualification attainment levels, professional, academic and scientific titles gained in compliance with the regulations applicable before this law came into force.

**The Law on Secondary Education** (*Official Gazette of RS, Nos 55/13, 101/17, 27/18 – as amended, and 6/20*) regulates secondary education as a part of the integrated education system, aimed at developing the key competencies of individuals necessary for their further education and active role in society, the professional competencies required for successful integration in the labour market and employment, the ability of independent decision-making regarding the choice of occupation and further education, as well as the overall development of individuals' learning motivation, personal initiative, the ability of self-evaluation and expression of one's opinion.

**The Law on Dual Education** (*Official Gazette of RS, Nos 101/17 and 6/20*) regulates the content and the delivery modality of dual education, as an educational model in the vocational secondary education system (for three- and four-year qualification profiles and master craftsman and specialist education, as well as for two-year training for work) in which knowledge, skills, capacities and attitudes are acquired, enhanced and built through school-based theoretical instruction and practical exercises and work-based learning at an employer, in accordance with the qualification standard and curriculum.

**The Law on Adult Education** (*Official Gazette of RS, Nos 55/13, 88/17 – as amended, 27/18 – as amended and 6/20 – as amended*) governs adult education as an element of the integrated education system, which allows adults at any stage of their life to gain competencies and qualifications needed for personal and professional development, work and employment, as well as socially responsible behaviour, through either formal, non-formal or informal education models.

**The Law on Youth** (*Official Gazette of RS, No 50/11*) regulates the measures and activities undertaken by the Republic of Serbia, the autonomous provinces and local self-governments in order to enhance the social position of youth and create the conditions for meeting their needs and interests, while also providing the foundation for the development of the youth sector by ensuring the conditions for supporting youth in their organizing, social actions, development and fulfilment of the potential for personal and social well-being.

**The Law on Social Protection** (*Official Gazette of RS, No 24/11*) stipulates social protection as an organised social activity of public interest whose aim is to assist and empower individuals and families for independent and productive life in society, as well as to prevent the occurrence and remedy the consequences of social exclusion. This law serves as the legal basis for the implementation of the measures for the activation of financial social assistance recipients and the cooperation between centres for social work and the National Employment Service.

**The Law on Investments** (*Official Gazette of RS, Nos 89/15 and 95/18*) regulates the general legal framework for investments in the Republic of Serbia, the investment support bodies for efficient service provision to investors and the foundation and activities of the Development Agency of Serbia, with the objective to promote the investment environment in the Republic of Serbia and stimulate direct investments in order to strengthen the economic and employment growth.

The policy documents, i.e. strategies that directly or indirectly pertain to the area of employment include:

**The National Youth Strategy 2015–2025** (*Official Gazette of RS, No 22/15*) is a document that introduces systemic solutions to the most significant issues in various areas of life of young people in the Republic of Serbia. The goals of the National Youth Strategy are to enhance: employment and employability of young women and men; the quality of and opportunities for acquiring qualifications and developing youth competencies and innovativeness; youth activism and active participation; youth health and wellbeing; the conditions for developing a youth safety culture; support to social inclusion of youth at risk of social exclusion; mobility; the scale of international youth cooperation and support to young migrants; the system for informing youth and the knowledge about youth; and youth participation in the creation and use of cultural contents.

**The Strategy for Social Inclusion of the Roma in the Republic of Serbia 2016–2025** (*Official Gazette of RS, No 26/16*) is a policy document that sets the overall goal to improve the socio-economic status of the Roma national minority in the Republic of Serbia, with full respect of minority rights, elimination of discrimination and increased social inclusion of the Roma in all segments of society. The strategy is structured around five specific objectives in the key areas contributing to the overall goal, namely: education, housing, employment, health and social protection. The measures envisaged by this document, related to the employment policy area, are aimed at encouraging the inclusion of the working-age Roma in the formal labour market, improving their employability, employment and self-employment, with particular focus on the Roma from the categories of multiply disadvantaged unemployed persons. The strategy foresees the implementation of measures and activities that are likely to have a positive impact on the increase of working-age Roma's participation in the formal labour market, the decrease of the number of functionally illiterate Roma and those who leave the formal education system prematurely, the increase of employers' readiness to hire the Roma, the increase of Roma representation in employment and economic development policies at the local level and so on.

**The Economic Migration Strategy of the Republic of Serbia 2021-2027** (*Official Gazette of RS, No 21/20*) is a policy document setting the overall goal to create an economic and social environment conducive to reducing the rate of emigration of the working-age population, strengthening the ties with the diaspora, stimulating the return and circular migration, as well as attracting the immigration of foreigners of various educational profiles.

**The Strategy for Digital Skills Development in the Republic of Serbia 2020-2024** (*Official Gazette of RS, No 21/20*) is a policy document setting the overall goal to improve the digital knowledge and skills of all citizens, including the members of vulnerable social groups, in order to enable them to keep up with the development of information and communication technologies in all areas and to satisfy the needs of the economy and labour market. The strategy also stipulates the specific objectives to improve the digital competencies in the education system; enhance the basic and advanced digital skills of all citizens; develop the digital skills in response to labour market needs; and promote life-long learning of ICT experts.

**The Strategy of Industrial Policy of the Republic of Serbia 2021-2030** (*Official Gazette of RS, No 35/20*) is a policy document setting the overall industrial policy goal to increase the competitiveness of the Serbian industry, as well as the specific objectives to: improve the digitalisation of industrial production business models; develop innovation-based and technologically more advanced manufacturing industries; increase the overall scale and quality of investments in industry; improve the technological structure of exports and transform the industry from a linear to a circular model.

**The Strategy for Improving the Status of Persons with Disabilities in the Republic of Serbia 2020-2024** (*Official Gazette of RS, No 44/20*) is a policy document setting the overall goal to ensure equal opportunities for persons with disabilities to exercise all civil, political, economic, social and cultural rights, while fully respecting their dignity and individual autonomy and ensuring their independence, freedom of choice and full and effective participation in all areas of social life, including as members of a community. To achieve the strategy's overall goal, the following specific objectives have been determined: increased social inclusion of persons with disabilities; ensured exercise of rights of persons with disabilities to legal capacity and family life on an equal basis with others and efficient protection against discrimination, violence and abuse, as well as the systemic incorporation of the disability perspective into policymaking, implementation and monitoring.

The key policy document in the economic dialogue with the European Commission and the European Union Member States is the Economic Reform Programme – ERP. The Programme outlines the medium-term macroeconomic and fiscal policy framework and provides a detailed overview of the structural reforms that are intended to help increase the national economy competitiveness, strengthen the economic growth and development, create new jobs and, consequently, increase the living standard. The annual preparation of this document is significant for the Republic of Serbia as a pre-accession country, since it represents the preparation for participation in the process of economic and fiscal surveillance of the EU Member States, i.e. for involvement in the European Semester of economic policy coordination

## 2.1. International employment policy framework

### United Nations

The United Nations (UN) is an international organisation that describes itself as a “*global association of governments that facilitates cooperation in international law, global security, economic development and social equality*”. Although the fulfilment of the objectives stipulated in the UN Charter, namely to maintain international peace and security, develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, as well as to achieve co-operation in solving the problems of an economic, social, cultural, or humanitarian character, is supported through a series of documents, a brief reflection is provided below on the documents of key relevance to employment policy formulation in line with the universally accepted UN postulates.

**The International Covenant on Economic, Social and Cultural Rights** guarantees the right to work and includes a broad range of labour-related rights. The right to work (which is construed as access to the right to work, free choice of occupation and protection against unjustified dismissal) enables economic independence of individuals and full development and fulfilment of their personality, and entails “*the right of everyone to the opportunity to gain his living by work which he freely chooses or accepts*”, as well as that the states parties “*will take appropriate steps to safeguard this right*”.

**The 2030 Agenda for Sustainable Development**<sup>2</sup> is a universal strategy that encompasses three dimensions of sustainable development – economic growth, social inclusion and environmental protection. The states parties (including the Republic of Serbia) are expected to mobilise all resources, through a holistic and intersectoral approach, in order to achieve the 17 sustainable development goals (SDGs) by the year 2030. Employment policy is acknowledged by and contributes to the achievement of the SDG 8. *Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.*

### International Labour Organisation (ILO)

The ILO is the principal agent of development of the international labour legislation. International labour standards are adopted in the form of conventions or recommendations that regulate the fundamental rights of workers, such as the freedom of association, the right to organise, collective bargaining, abolition of forced labour, equality of opportunity and treatment, as well as other standards regulating the conditions referring to the entire spectrum of issues in the field of labour law. The Republic of Serbia has ratified a significant number of the conventions, and a brief overview of those that regulate the area of employment policy is given below.

<sup>2</sup> At the summit in September 2015, the United Nations adopted the resolution *Transforming our world: the 2030 Agenda for Sustainable Development*.



**ILO Convention No 2 Concerning Unemployment** – addresses the problems of unemployment and the measures undertaken by the signatory countries to mitigate them, the maintaining of unemployment statistics, the establishment of the system of free public employment agencies to conduct these affairs, the appointment of committees consisting of the representatives of employers and workers to deal with individual problems, the arrangements enabling workers to receive the same rates of benefit under unemployment insurance regardless of the country in which they work, and so on.

**ILO Convention No 88 Concerning the Organisation of the Employment Service** – provides a comprehensive definition of the role, organisation and operation of a free public employment service, based on the principle of geographical units. The service should keep a registry of job seekers and vacancies, refer the candidates and assist them in finding suitable employment, adjust supply and demand in the labour market, facilitate labour mobility, provide unemployment insurance etc., while the bodies responsible for decision-making regarding the operation of the public service must include representatives of social partners in equal numbers.

**ILO Convention No 111 Concerning Discrimination in Respect of Employment and Occupation** – defines the term *discrimination* and stipulates the prohibition of discrimination in respect of employment and occupation. Each member is obliged to pursue a national policy promoting equality of opportunity and treatment in respect of employment and occupation, cooperate with employers' and workers' organisations, enact legislation and encourage the adoption of vocational training programmes to secure the acceptance and observance of the policy, report regularly on actions taken to that end and so on.

**ILO Convention No 122 Concerning Employment Policy** – defines the primary goal of employment policy as the promotion of full, productive and freely chosen employment. This convention stipulates the adoption of various active labour market policy measures stimulating economic growth and development, ensuring the freedom of choice of employment and enabling the acquisition of qualifications without discrimination in order to increase the employability of job seekers and, thus, raise the living standards and address the issue of unemployment at the regional and local levels, as well as stimulating the cooperation with workers and employers with a view to identifying, reviewing and considering the adoption of regulations.

**ILO Convention No 142 Concerning Vocational Guidance and Vocational Training in the Development of Human Resources** – stipulates the development of coordinated policies of vocational guidance and vocational training in cooperation with employers and workers, as well as other stakeholders, the expansion of vocational guidance systems and continuous provision of information about employment opportunities in order to ensure they can be accessed by children, youth and adults, as well as that appropriate programmes can be accessed by all persons with disabilities.

**ILO Convention No 159 Concerning Vocational Rehabilitation and Employment of Disabled Persons** – defines the obligation to adopt regulations in the area of employment and vocational rehabilitation of persons with disabilities, stipulates the adoption of programmes and measures regarding the education and work of persons with disabilities, designed to enable equal opportunities and stimulate their independence, participation in social life and other activities in all areas of life and work of persons with disabilities, in consultation with employers and workers, as well as with organisations dealing with issues of persons with disabilities. It is also necessary to ensure the availability of training, rehabilitation counsellors, staff qualified for vocational guidance, vocational training, job placement and employment of persons with disabilities.

**ILO Convention No 181 Concerning Private Employment Agencies** – specifies the conditions for the operation of private employment agencies, flexibility in the labour market and the protection of the workers using the services of private agencies.

**ILO Declaration on Social Justice for a Fair Globalisation**, adopted in 2008, supports the Decent Work Agenda and its four pillars: International labour standards and fundamental principles and labour rights, Employment creation, Social protection and Social dialogue and tripartism, i.e. indicates that social protection needs to be considered as an integral part of the planning of measures aimed at promoting the employment of vulnerable groups.

### ***Council of Europe***

The Council of Europe is a regional international organisation of European countries, supranational in nature, committed to upholding the fundamental personal and democratic rights and freedoms. The documents of relevance to employment policy regulation include:

**The European Convention for the Protection of Human Rights and Fundamental Freedoms**, which includes the provisions on fundamental social rights, prohibits slavery and forced labour and guarantees the freedom of association, including the freedom to form trade unions. Of particular significance is the proclamation of the principle of non-discrimination, which implies that no regulation in the area of labour and social legislation is allowed to have a discriminatory effect.

**The European Social Charter, i.e. the Revised European Social Charter** is considered as the Council of Europe's *de facto* "social constitution". The charter stipulates the states parties' obligation to achieve and maintain as high and stable a level of employment as possible with the aim of achieving full employment, as well as to ensure the conditions in which everyone can engage in an occupation of their free choice, the right to fair remuneration for their work without discrimination, the right to social and medical assistance, adequate housing conditions and the right to protection against poverty and social exclusion.

### ***European Union (General employment policy guidelines)***

**The Treaty on European Union** (1992) established the European Union and the conditions for introducing the elements of a political union (citizenship rights, common foreign and internal policies). The Treaty on the Functioning of the European Union (Treaty of Lisbon), effective since 1st December 2009, has awarded the European Union the status of a legal person, enabling it, as a whole, to be a party to international treaties and a member of international organisations. Its implementation has contributed to improved functioning of the European Union by imposing an obligation on the Member States to undertake all the necessary measures from their domestic legislation to implement the binding legal instruments of the European Union, i.e. regulations, directives and decisions.

**The European Pillar of Social Rights**, a set of 20 principles and rights (divided into three categories: equal opportunities and access to the labour market; dynamic labour markets and fair working conditions; and public support / social protection and inclusion), highlights the promotion of employment, improved living and working conditions, proper social protection, dialogue between employers and workers, human resource development with a view to lasting high employment and the combat against social exclusion as the key objectives of the European Union.

**Employment Guidelines** determine the common employment policy priorities and objectives (including the development of entrepreneurship, small and medium-sized enterprises, stimulation of the adoption of employment policy measures at the regional and local levels) and they are especially significant for national-level regulation of this area and for the alignment of employment strategies at the EU level.

**The Revised Guidelines for the Employment Policies of the Member States**<sup>3</sup> are aligned with the European Pillar of Social Rights in order to make the European Union more competitive and a better place to invest, create jobs and promote social inclusion. The revised employment guidelines are: Guideline 5: *Boosting demand for labour*; Guideline 6: *Enhancing labour supply and improving access to employment, skills and competences*; Guideline 7: *Enhancing the functioning of labour markets and the effectiveness of social dialogue*; Guideline 8: *Promoting equal opportunities for all, fostering social inclusion and fighting poverty*.

Since the European Union does not have regulations in the area of employment policy, in addition to the aforesaid Employment Guidelines, the competent bodies of the European Union also issue recommendations and communications of relevance to the Member States' employment policies, the most significant ones being:

- 1) **The Recommendation on establishing a Youth Guarantee** (Council of the EU, 22 April 2013), which encourages the establishment of a support system in all Member States to ensure that all people under 25 years of age receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within a period of four months of becoming unemployed or leaving formal education. It focuses on youth who are not in employment, education or training (NEET).
- 2) **The Economic and Investment Plan for the Western Balkans** (European Commission, 6 October 2020), which proposes the extension of the Youth Guarantee scheme coverage to include the countries in the Western Balkans.
- 3) **The Recommendation on a Quality Framework for Traineeships** (Council of the EU, 10 March 2014), aimed at enabling the trainees to gain high-quality work experience under safe and fair conditions and thus increase their chances of quality employment
- 4) **Recommendation on the integration of the long-term unemployed into the labour market** (Council of the EU, 15 February 2016), which seeks to increase the rate of transition from long-term unemployment to employment by increasing the number of registered long-term unemployed persons who receive active support, ensuring proper coordination among the relevant institutions providing the services, as well as by enhancing the impact of interventions targeting long-term unemployed persons and employers.

3 <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020D1512>



- 5) **Youth Employment Support: A Bridge to Jobs for the Next Generation** (July 2020) is a communication document/package that comprises four key pillars: reinforcing the Youth Guarantee, vocational education and training, apprenticeship and additional measures supporting youth employment. The bridge to jobs will be more inclusive to avoid any forms of discrimination, with a wider outreach to more vulnerable youth, such as youth of racial or ethnic minorities, young people with disabilities, youth living in rural areas etc., and an increased age limit to include persons aged 15-29. This support programme is designed to link in with the needs of companies, by providing the skills required – in particular the green and digital skills through short preparatory courses, which will be reinforced with counselling, guidance and mentoring.
- 6) **European Skills Agenda for sustainable competitiveness, social fairness and resilience** (July 2020) sets ambitious, quantitative objectives for upskilling and re-skilling to be achieved within the next five years. It focuses on skills improvement in cooperation with Member States, companies and social partners, as well as on encouraging people to embark on lifelong learning.

### ***Accession of the Republic of Serbia to the European Union***

The Republic of Serbia has the status of a candidate country, i.e. it has commenced the negotiations on the accession to the European Union and, therefore, its further employment policy improvement is influenced by the development of the overall European employment policy framework.

**Action Plan for Chapter 19 – Social policy and employment** is agreed with the European Commission, and the Government of the Republic of Serbia adopted this action plan in May 2020. This document represents the framework for gradual transposition of the European Union acquis in the Republic of Serbia's legislation and for building the necessary capacities for its implementation in all areas addressed by the chapter on social policy and employment.

**Chapter 2 – Freedom of movement for workers** is regarded as one of the fundamental principles of the European Union and one of the four freedoms of the internal market. Since it includes the sub-areas: access to labour market, EURES, coordination of social security systems and the European Health Insurance Card, the opening of this Negotiation Chapter (the Negotiation Position for Chapter 2 was adopted and presented to the EU Council in July 2018) and the course of negotiations will determine further regulatory and institutional harmonisation with the European Union *acquis*.











## III CURRENT STATE OF AFFAIRS

### 3.1. State of affairs overview and analysis

#### 3.1.1. Macroeconomic trends

Over the past five years, the Republic of Serbia has achieved considerable progress towards reaching macroeconomic stability and sustainable economic growth. The successful coordination of monetary and fiscal policies, as well as the consistent implementation of fiscal consolidation and structural adjustments, have been conducive to the improvement of the business and investment climate.

Table 1. Basic macroeconomic indicators by year

	2015	2016	2017	2018	2019
Gross Domestic Product, real growth, %	1.8	3.3	2.1	4.5	4.2*
Gross Domestic Product, per capita, EUR	5,037	5,211	5,588	6,143	6,619*
General government debt, % of GDP	71.2	68.7	58.6	54.4	52.9
Foreign direct investments, net, EUR million	1,803.8	1,899.2	2,418.1	3,156.5	3,551.1
Foreign direct investments, net, % of GDP	5.0	5.2	6.2	7.4	7.7
Inflation, %	1.9	1.2	3.0	2.0	1.7
EUR to RSD conversion rate, period average	120.73	123.12	121.34	118.27	117.85
USD to RSD conversion rate, period average	108.85	111.29	107.50	100.28	105.28
Net minimum wage per hour, RSD	121	121	130	143	155
Net monthly wage, period average, RSD	44,432	46,097	47,893	49,650	54,919
- real growth rates	-2.1	2.5	0.9	4.4	8.5
Net monthly wage, period average, EUR	368	374	395	420	466
Average pension, period average, RSD	23,196	23,488	23,913	25,317	26,343
- real growth rates	-5.5	0.1	-1.2	3.8	2.3
Average pension, period average, EUR	192	191	197	214	224

\* Preliminary annual data

Source: Statistical Office of the Republic of Serbia (SORS), National Bank of Serbia (NBS), Ministry of Finance (MF) and National Pension and Disability Insurance Fund (NPDIF)

The Republic of Serbia's economic growth, as the key macroeconomic indicator prerequisite for sustainable improvement of the living standard of the population, has registered year-to-year fluctuations in the past five years. The maximum annual gross domestic product (GDP) real growth rate of 4.5% was achieved in 2018, whereas in 2017 the Serbian economy grew by 2.1%, primarily due to unfavourable weather conditions that hindered the production processes and affected the pace of construction activities and agricultural production. In 2019, the economy slowed down and the GDP real growth rate was 4.2%. The fastest growing sectors in 2019 were construction, and information and communication.

The fiscal consolidation measures, determined in an arrangement with the International Monetary Fund (IMF), slowed down the increase of the public-debt-to-GDP ratio. The trend of public debt decline was registered between 2015 and the late 2019, during which period it decreased from 71.2% of GDP in 2015 to 52.9% of GDP in 2019.

The Republic of Serbia's improved macroeconomic performance and the recovery of the global economy resulted in the increased inflow of foreign direct investments. The share of foreign direct investments in the GDP continually grew in the recent years, reaching 7.8% in 2019. Foreign direct investments were undeniably a key factor that contributed to the growth of economic activity and employment and the changes in its structure in this period.

Over the years, the Serbian economy achieved macroeconomic stability with regard to inflation, as well. Inflation has been extremely low in the Republic of Serbia since 2015, to such an extent that, in certain years, it dropped even lower than the target stipulated by the National Bank of Serbia. The low inflation was caused by the decline of domestic demand and the decreased prices of certain energy sources, as well as by the National Bank of Serbia's moderately restrictive monetary policy.

The dinar to Euro exchange rate slightly increased in the period 2017-2019, which is measured by the cumulative appreciation of the dinar by 5%<sup>4</sup>. The National Bank of Serbia explains this trend of the domestic currency by the improved macroeconomic outlook and higher economic growth rates, as well as by the increased inflow of foreign direct investments and the purchase of long-term dinar government securities by non-residents, which contributed to the increase in foreign exchange reserves.

The greatest decline in real wages in the recent years was registered in 2015, which was related to the fiscal consolidation measures introduced in late 2014. The effect of these measures was reflected in the sharp decline of real net wages by 2.1% in 2015. The relaxation of fiscal consolidation measures, the increase of the minimum wage (to RSD 155 per hour in 2019) and the abolition of employers' obligation to pay the compulsory unemployment social insurance contributions as a measure to reduce the tax burden on net wages, resulted in a significant increase of net wages by 8.3% (EUR 466) in 2019. Following the revocation of the Law on the Temporary Regulation of Pension Disbursement (effective from October 2014 to September 2018), the pensions increased in real terms by 3.6% in 2018, and by 2.3% in 2019, reaching an average amount of EUR 224 in 2019.

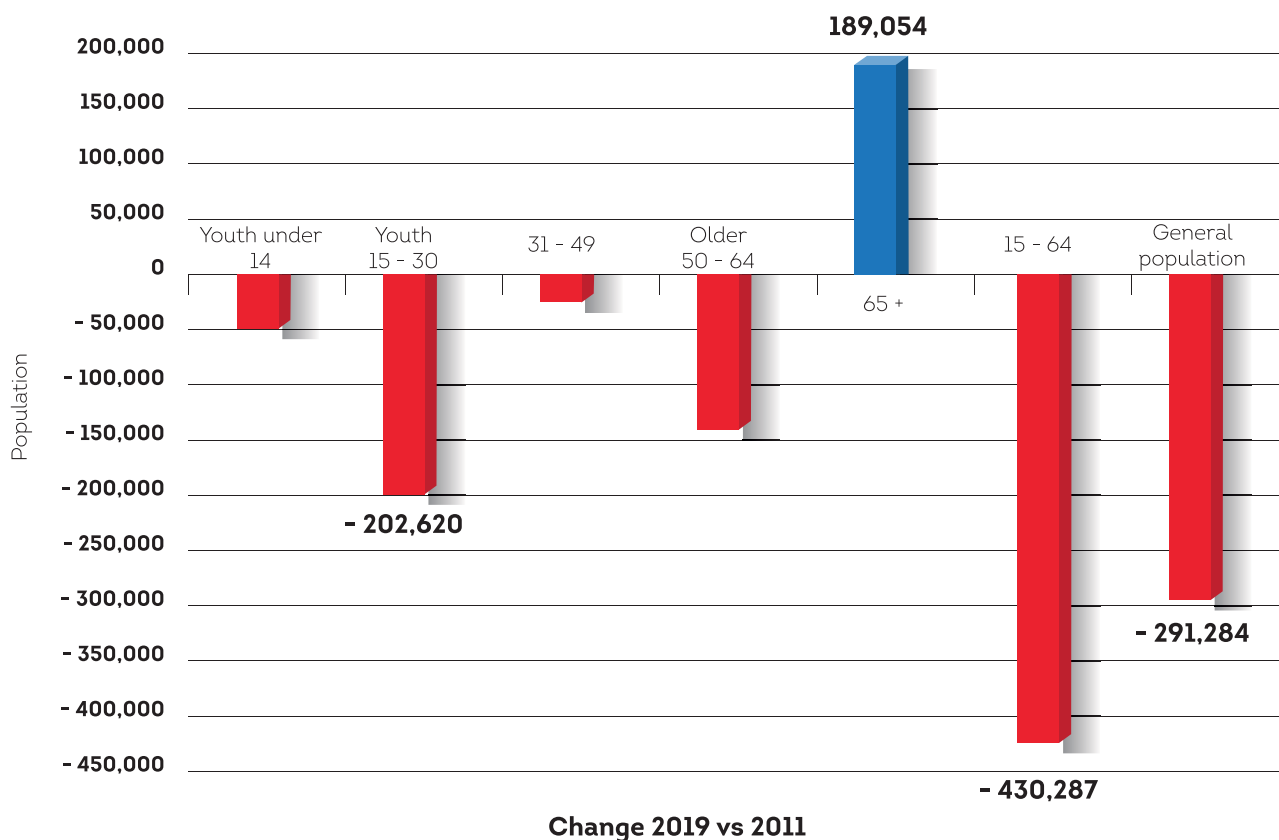
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<sup>4</sup> Macroeconomic Developments in Serbia, National Bank of Serbia (2020)

### 3.1.2. Demographic trends

Serbia's demographic trends in the past decade, as well as in the decade before, were characterised by a strong depopulation tendency. The country's population decreased in 2019 by slightly over 291 thousand people<sup>5</sup> compared to the 2011 Population Census data. The demographic transition especially affected the working-age population (aged 15-64, decreased by about 430 thousand), in particular the youth cohort within this population category (youth aged 15-30, decreased by 202.6 thousand).

**Chart 1.** Population changes by age cohorts, 2019 vs 2011



Source: SORS

<sup>5</sup> Mid-year population estimates, SORS (2019)

At the regional level, only the Belgrade Region experienced population growth (by 36 thousand in 2019 relative to 2011), while the most striking population decline was registered in the Šumadija and Western Serbia Region (by 124.6 thousand) and the Southern and Eastern Serbia Region (by 122 thousand).

The population of the Republic of Serbia is characterised by the process of demographic ageing, manifested as the continuously increasing number of elderly people and their large share in the total population, whereas the number of young people is decreasing, and their share in the total population is low. According to the 2019 data, the number of people aged 65 or over was 1.44 million, which was 189 thousand more than in 2011, while their share in the total population was 20.7%, following an increase by 3.4 percentage points (pp) relative to 2011 (17.2%). The increase of the elderly population is caused, *inter alia*, by the increased life expectancy of the overall population by 1.5 years – from 74.2 years in 2011 to 75.7 years in 2019. The average age of Serbia's population is as high as 43.3 years, placing the Republic of Serbia among the oldest countries in Europe<sup>6</sup>. At the same time, the population under the age of 15, which totalled about 992.6 thousand in 2019, decreased in the reference period by 50 thousand, while the share of this cohort in the total population was only 14.3%.

The decline of Serbia's population is caused by two factors: the negative natural growth and migration. The natural growth has been negative for almost three straight decades<sup>7</sup>. The number of deaths exceeded the number of live births in 2019 by 37 thousand, while the natural growth rate was -5.3 per mille<sup>8</sup> (‰). Due to the negative natural growth alone, the population decreased by about 330 thousand in the period 2011-2019. The municipalities with the highest negative natural growth rates are usually located within economically underdeveloped and emigration-prone areas. According to the Statistical Office of the Republic of Serbia's estimates of migration flows, the population of Serbia has been steadily shrinking by about 10,000-15,000 people per year<sup>9</sup> in this decade. However, judging by the Eurostat data, based on the statistics of the EU Member States that are principal destination countries of Serbian emigrants, migrations have intensified in the latter part of this decade. This has been the consequence of two circumstances – the relaxed regulations on labour migration, including of persons without particularly desirable qualifications, to Germany as the most preferred Western European destination country for Serbian migrants, as well as the increasing demand for temporary workers in the new EU countries, such as Slovakia, Slovenia, the Czech Republic, Croatia and Poland.

In the future<sup>10</sup>, the Republic of Serbia will face an increase of the elderly, mostly economically inactive population, which will inevitably result in the growth of individual and public consumption, primarily in the domain of allocations for health care, social protection and pension insurance. Against that backdrop, the knowledge of the determinants and understanding of the consequences of population ageing in the Republic of Serbia prove to be important criteria in economic and social development policymaking.

6 European countries with the oldest populations in 2019: Italy (46.7), Germany (46), Portugal (45.2), Greece (44.9), Bulgaria (44.5).

7 The natural growth in the Republic of Serbia has been negative since 1992, which means that the number of deaths per year is greater than the number of births.

8 In 2019, the natural growth rate was positive in only seven cities and municipalities in the Republic of Serbia: Tutin (14.6 ‰), Novi Pazar (6.8 ‰), Preševo (6.5 ‰), Bujanovac (2.1 ‰), Sjenica (1.6 ‰), Novi Sad (0.6 ‰) and Zvezdara (0.3 ‰).

9 The majority of potential migrants are younger persons up to 40 years of age. The principal motives that lead them to think about leaving the Republic of Serbia are unemployment (lack of jobs and income sources) and poor economic living conditions.

10 The findings of the population projections for the Republic of Serbia until 2041, conducted by the SORS, indicate that the population will continue to experience demographic ageing on all parameters in the upcoming decades, and that the share of working-age population in the total population will inevitably decline.

### 3.1.3. Labour market trends

#### Key labour market indicators

In the recent years, the national labour market indicators have seen positive developments, which is also consistent with the positive trends of macroeconomic indicators. The state of affairs in the labour market, measured by the basic Labour Force Survey<sup>11</sup> (LFS) indicators, reveals a significant labour market recovery in the period 2015–2019 – the unemployment rate decreased and the employment rate increased, the number of employed persons increased, which also led to the increase of the number of persons participating the labour market (active persons), while the number of unemployed and inactive persons declined.

The total working-age (15–64) population shrunk by 249 thousand in 2019 relative to 2015. At the same time, the number of active persons in the labour market increased by 46 thousand<sup>12</sup>, while the number of inactive persons decreased by about 295 thousand. The number of employed persons increased by 262 thousand, while the number of the unemployed declined by 216 thousand.

Table 2. Key labour market indicators for working-age population, 2015–2019

	2015	2016	2017	2018	2019	2019/2015
	Absolute numbers (thousands)					
<b>Population aged 15-64</b>	4,753	4,677	4,619	4,565	4,504	-249
Active population	3,022	3,068	3,081	3,096	3,068	46
Employed	2,471	2,580	2,648	2,685	2,733	262
Unemployed	551	488	433	411	335	-216
Inactive population	1,731	1,609	1,538	1,469	1,436	-295
	Rates, %					percentage points
<b>Activity rate</b>	63.6	65.6	66.7	67.8	68.1	4.5
<b>Employment rate</b>	52.0	55.2	57.3	58.8	60.7	8.7
<b>Unemployment rate</b>	18.2	15.9	14.1	13.3	10.9	-7.3
<b>Inactivity rate</b>	36.4	34.4	33.3	32.2	31.9	-4.5

Source: LFS, SORS

The decrease of the inactive working-age population was the principal change that occurred in the structure of the Serbian labour market in the period 2015–2019. Following a decrease by 295 thousand persons (17%) in this period, the number of inactive persons in the labour market in 2019 was about 1.4 million. The working-age population's inactivity rate was 31.9%, after a decrease by 4.5 pp compared to 2015.

<sup>11</sup> The Labour Force Survey, which analyses the state of affairs and monitors the developments in the labour market, has been conducted in the Republic of Serbia since 1995. Initially, the survey was conducted annually. However, due to certain methodological modifications, since 2015, the Statistical Office of the Republic of Serbia has been conducting it on a rolling basis, using international recommendations and definitions, while the number of households in the sample has increased and the method of evaluation has been modified. Read more about the methodology <https://publikacije.stat.gov.rs/G2017/Pdf/G20177069.pdf>

<sup>12</sup> The increase of the active population is owed to the increase of the number of employed persons, which was greater than the decrease of the number of the unemployed in the considered period.



The active working-age population increased by 46 thousand (1.5%) in the period 2015–2019; however, as a result of decreased overall working-age population (by 249 thousand, or 5.2%), the activity rate increased by 4.5 pp in this period. In 2019, the activity rate of the working-age population was 68.1%, which indicates that about 3.1 million persons of working age were active in the labour market.

Employment of the working-age population is increasing steadily and their number exceeded 2.7 million in 2019, which constituted an increase by 262 thousand (10.6%) in the period 2015–2019. The working-age population's employment rate was 60.7% in 2019, following an increase by 8.7 pp compared to 2015.

Unemployment is continuously decreasing. The number of unemployed working-age people was estimated at about 335 thousand in 2019, a decrease by 216 thousand (39%) compared to 2015. Owing to unemployment decrease and employment increase, the unemployment rate in 2019 was 10.9%, having decreased by 7.3 pp relative to 2015.

### *Key labour market indicators in the regional context*

Considerable regional disparities with regard to economic development levels are also identified in relation to labour market indicators, which are the most favourable in the Belgrade Region, and the least favourable in the Southern and Eastern Serbia Region.

The regional disparities are the most pronounced with reference to the indicators of employment and unemployment. In 2019, the employment rate of the working-age population was the highest in the Belgrade Region (64.9%), slightly lower in the Šumadija and Western Serbia Region (60.7%) and the Vojvodina Region (59.8%), while the lowest rate was registered in the Southern and Eastern Serbia Region (56.9%). The unemployment rate was the lowest in the Belgrade Region (8.4%) and the Vojvodina Region (9.2%), while the problem of unemployment was somewhat more serious in the Šumadija and Western Serbia Region (12.5%) and, especially, in the Southern and Eastern Serbia Region (14.1%).

Table 3. Employment and unemployment rates for working-age population, by regions, %, 2015–2019

Regions*	2015	2016	2017	2018	2019
	Employment rate (%)				
Belgrade Region	53.0	56.9	60.3	62.9	64.9
Vojvodina Region	51.7	54.4	57.2	59.1	60.7
Šumadija and Western Serbia Region	53.0	55.8	57.2	58.1	59.8
Southern and Eastern Serbia Region	49.7	53.3	54.2	54.6	56.9
	Unemployment rate (%)				
Belgrade Region	18.9	15.9	13.5	11.0	8.4
Vojvodina Region	16.9	15.5	12.4	10.7	9.3
Šumadija and Western Serbia Region	17.8	15.7	14.6	14.9	12.5
Southern and Eastern Serbia Region	19.7	16.8	16.2	17.3	14.1

\*Note: not including data for Kosovo and Metohija since 1999

Source: LFS, SORS

## *Trends in employment structure*

**Informal employment**<sup>13</sup> in the Republic of Serbia is relatively high; however, a trend of informal employment decrease and formal employment increase has been noticed in the recent years. About 429 thousand working-age people were informally employed in 2019, i.e. almost one in six employed people were employed informally (the informal employment rate stood at 15.7%). Informal employment decreased by 36 thousand persons (-7.8%) in the period 2015-2019, whereas formal employment increased in the same period by 299 thousand (14.9%). Informal employment is especially widespread in agriculture, where informal employees accounted for just under a half (48.4%) of the total number of employees in this sector in 2019; a large proportion of informal employees were also registered in the construction sector (32%), while the services sector had 14.3% informal employees<sup>14</sup>. The informal employment rate of working-age women (15.6%) was slightly lower than that of men (15.8%), as a result of the greater increase of formal employment of women (19.4%) in the period 2015-2019 than the increase of men's formal employment (11.5%)<sup>15</sup>. In terms of the professional status, the structure of informal employment of women vs. men differed considerably: informally employed women were predominantly contributing family workers, whereas informally employed men were mostly self-employed. The position of these women was especially vulnerable due to the fact that, in addition to being deprived of the rights arising out of formal employment (a disadvantage common to all informally employed persons), they also did not receive pay for their work. As regards the age structure of informal employees, out of the total number of informally employed persons aged 15-64 in 2019, 37,500 or 8.7% were youth (15-24).

In terms of **employment by sectors** (agriculture, manufacturing and services), the largest proportion of employees worked in the services sector (57.8%), slightly over a quarter of them (28.8%) worked in the manufacturing sector (predominantly in the processing industry), whereas the agriculture sector accounted for 13.4% of employees. As a consequence of these trends, in the period 2015-2019, employment in agriculture continued its decline (-3.8 pp), in the manufacturing sector it slightly recovered (increase by 3 pp), while employment growth in the services sector was insignificant (0.3 pp).

A person's **professional status** significantly determines their level and regularity of earnings, as well their job security. The employment structure by professional status has varied over time. Vulnerable employment<sup>16</sup> increased in 2015 and 2016, before it declined significantly in 2018 and 2019, resulting in the decrease of its share to 23.9% in 2019 (by 3.5 pp compared to 2015). The decline of vulnerable employment was primarily the consequence of the decreasing share of contributing family workers (from 7.3% to 4%), while the share of self-employed workers (with and without employees) changed only slightly (from 20.1% to 19.9%) in the considered period. The share of wage employees in total employment was 76.1% in 2019, following a 3.6 pp increase compared to 2015 (72.5%).

Broken down by **types of employment**, the dominant category of workers in the overall number of wage employees were employees on an open-ended basis (77.2%), followed by fixed-term employees (19.5%), while the fewest workers were engaged in seasonal and casual jobs (3.3%), as indicated by the data for 2019. The analysis of the 2015-2019 data series indicates a

13 Informal employment rate refers to people working without a formal employment contract as a proportion of total employed people. It includes employees in unregistered businesses, employees in registered businesses but without a formal employment contract or social insurance, and unpaid contributing family workers.

14 The data refer to the population aged 15+

15 In the same period, informal employment of working-age women decreased by 7.6%, whereas informal employment of men decreased by 8%.

16 Vulnerable employment includes self-employed workers (with and without employees) and contributing family workers.

deterioration of the employment structure towards higher job insecurity, with almost one in four workers (about 23%) in Serbia engaged in temporary jobs, exceeding the EU-28 average share by about 10 pp.

### *Comparative analysis of the labour markets of the Republic of Serbia and the European Union*

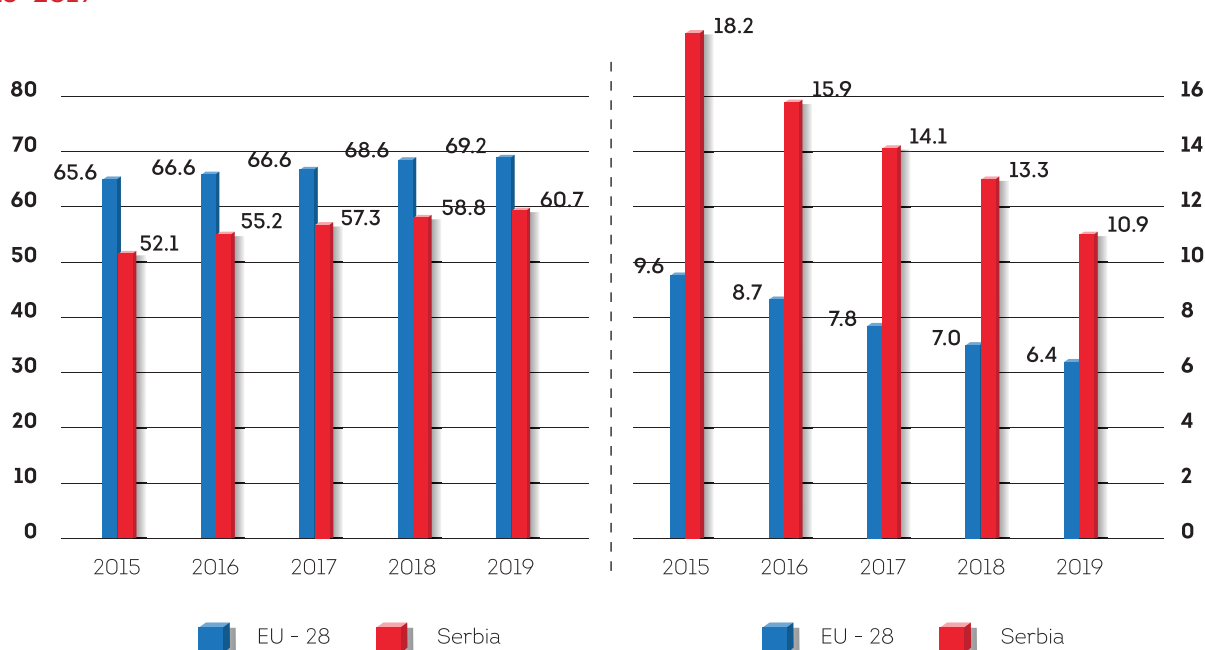
Despite significant labour market improvements, the Republic of Serbia lags behind the average values of the key indicators for the EU countries, and this gap between the key labour market indicators for working-age population (15-64) in the Republic of Serbia and the EU-28 is one of the greatest challenges in the accession process. The widest gap is registered between the employment rates of the EU-28 and Serbia's working-age populations (69.2% and 60.7%, respectively), while the situation in the case of activity rates (74% and 68.1%, respectively) and unemployment rates (6.4% and 10.9%, respectively) is somewhat more favourable.

The population of the European countries is considerably more active in the labour market. As the data indicate, the inactivity rate in the Serbian labour market was higher (31.9% in 2019) than in most of the EU countries (only Italy and Croatia had inactivity rates higher than Serbia's - 34.4% and 33.5%, respectively), while the gap between the inactivity rate in Serbia and the EU-28 average (26%) was 5.9 pp.

The employment rate in the Republic of Serbia (60.7% in 2019) was 8.5 pp lower than the employment rate in the EU-28 (69.2%). Only in Greece (56.5%) and Italy (59%) was the employment rate lower than that in the Republic of Serbia. The employment rate of men in the Republic of Serbia was 7.3 pp lower than that in the EU-28, while the gap between the employment rates of women in the Republic of Serbia and the EU-28 was 9.8 pp.

The unemployment rate in the Republic of Serbia (10.9% in 2019) was 4.5 pp higher than that in the EU-28 (6.4%). Greece (17.5%) and Spain (14.2%) had higher unemployment rates than the Republic of Serbia. The unemployment rate of men in the Republic of Serbia was 4.2 pp higher than that in the EU-28, while the gap between the unemployment rates of women in the Republic of Serbia and the EU-28 was 4.8 pp.

**Chart 2. Labour market indicators for working-age population, EU-28 and the Republic of Serbia, %, 2015-2019**



	Employment rate, population aged 15-64					Unemployment rate, population aged 15-64				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
	<b>Men</b>									
<b>EU-28</b>	70.8	71.8	72.9	73.8	74.4	9.5	8.5	7.6	6.7	6.2
<b>Republic of Serbia</b>	59.1	61.9	63.9	65.6	67.1	17.4	15.3	13.5	12.5	10.4
	<b>Women</b>									
<b>EU-28</b>	60.4	61.3	62.4	63.3	64.1	9.6	8.9	8.0	7.2	6.7
<b>Republic of Serbia</b>	44.9	48.4	50.8	52.0	54.3	19.3	16.7	14.8	14.2	11.5

Source: LFS, Republic of Serbia – SORS, EU-28 – Eurostat

## Registered employment

In the recent years, the Republic of Serbia has recorded an increased registered employment<sup>17</sup>. On average, 2.2 million people were formally employed in 2019, which constituted an increase by 183 thousand (9.2%) compared to 2015. The increase of the total registered employment is attributed primarily to the growth of employment in legal entities, which increased by 136 thousand people (8.6%) in the considered period. The number of sole proprietors and their employees, as well as of own-account workers also increased (by 68 thousand or 22.2%), while the number of registered individual farmers decreased by 21 thousand (-23%).

Table 4. Registered employment, 2015-2019

	2015	2016	2017	2018	2019	Change 2019 vs 2015	
						Absolute	%
<b>Registered employment - total</b>	<b>1,989,617</b>	<b>2,009,785</b>	<b>2,062,588</b>	<b>2,131,079</b>	<b>2,173,135</b>	<b>183,518</b>	<b>9.2</b>
<i>Men</i>	...	1,103,842	1,125,171	1,155,488	1,174,150		
<i>Women</i>	...	905,942	937,416	975,592	998,984		
Employees in legal entities	1,587,437	1,597,366	1,634,901	1,688,241	1,723,828	136,391	8.6
Sole proprietors and their employees, and own-account workers	308,863	323,313	342,457	364,305	377,439	68,576	22.2
Registered individual farmers	93,320	89,106	85,230	78,533	71,868	-21,452	-23.0
<b>Public sector</b>	<b>635,220</b>	<b>621,818</b>	<b>612,884</b>	<b>606,118</b>	<b>599,994</b>	<b>-35,226</b>	<b>-5.5</b>

... Data not available

Source: SORS, Survey on registered employment

<sup>17</sup> The survey of registered employment is based on the combination of data from the Central Registry of Compulsory Social Insurance and the Statistical Business Register.

The share of men (54%) in the total registered employment is larger than that of women (46%). In the period 2016–2019, for which sex-disaggregated data are available, the number of registered employees increased for both sexes, although the increase was greater among women (registered employment of women grew by about 93 thousand or 10.3%, while that of men increased by about 70 thousand, or 6.4%).

Broken down by fields of economic sector, more than a fifth (21.9%) of the total number of registered employees in legal entities, sole proprietors and their employees and own-account workers worked in the processing industry (primarily food processing, metal and machine industries), whereas 16.3% were employed in the trade sector (mostly retail). In the period 2015–2019, registered employment grew in most economic sectors (especially in the processing industry and administrative and support services), whereas the decline in the number of employees was the greatest in health care and social protection (by just over 9.5 thousand) and agriculture (by about 5.8 thousand).

The public sector had about 600 thousand registered employees in 2019, which was 35 thousand (or 5.5%) fewer than in 2015. The decrease in the number of employees was registered in almost all segments of the public sector, except for employees at the local self-government level (increase by about 600 persons, or 2.3%).

### ***Precarious employment***

Precarious employment is a concept that refers to employees who are deprived of security and stability that are usually associated with permanent employment. A recent study<sup>18</sup> has shown that both the number and the share of employees in precarious forms of employment is increasing, in particular those in fixed-term employment, casual work and vulnerable employment. One in three employees in the Republic of Serbia is deprived of labour and/or social insurance rights, while one in four is financially disadvantaged and materially deprived.

The study indicates the weaknesses of the “flexible” legal institutions of service contracts, casual work contracts, traineeship contracts etc. The legislation is interpreted too broadly and arbitrarily by employers and, as a result, these forms of work have become ever more prevalent, while the labour and social rights of the persons engaged in them have been seriously eroded.

### ***Registered unemployment***

The positive trend of decreasing survey-based unemployment was also accompanied by a decrease in registered unemployment in the period 2015–2019. An average number of the unemployed registered with the National Employment Service (about 530 thousand in 2019) decreased by about 214 thousand or 28.7% compared to 2015.

18 Precarious Employment in the Serbian Labour Market, Centre for Democracy Foundation (2018)

Table 5. Share of unemployed persons on the National Employment Service register, by personal characteristics, 2015-2019

	2015	2016	2017	2018	2019	Change 2019 vs 2015
	Average number of registered unemployed					Absolute
<b>Unemployed persons</b>	<b>743,158</b>	<b>713,153</b>	<b>650,573</b>	<b>583,099</b>	<b>529,508</b>	<b>-213,651</b>
	Share in the total number, %					percentage points
<b>Sex</b>						
Men	48.8	48.5	47.9	47.1	45.8	-3.0
Women	51.2	51.5	52.1	52.9	54.2	3.0
<b>Education</b>						
Persons with incomplete secondary education <sup>19</sup>	31.5	31.9	32.7	33.3	33.6	2.1
Secondary education	54.5	53.8	52.9	52.1	51.8	-2.7
Higher education	14.0	14.3	14.4	14.6	14.6	0.6
<b>Age</b>						
Youth, 15-29	25.6	24.6	23.0	21.6	20.7	-4.9
30-49	47.6	47.1	46.8	46.3	45.7	-1.9
Older persons, aged 50 and over	26.8	28.3	30.2	32.1	33.6	6.8
<b>Length of unemployment spell</b>						
Up to 1 year	32.8	32.6	31.3	31.6	34.1	1.2
Long-term unemployed (longer than 12 months)	67.2	67.4	68.7	68.4	65.9	-1.2
<i>Very long-term unemployed (longer than 2 years)</i>	<i>52.0</i>	<i>52.2</i>	<i>53.8</i>	<i>54.9</i>	<i>52.8</i>	<i>0.8</i>

Source: NES

The number of unemployed women on the National Employment Service register in 2019 was about 287 thousand, having decreased by about 93 thousand (24.6%) compared to 2015. Although the number of registered unemployed women decreased in the considered period, their share in total unemployment increased by 3 pp – from 51.2% in 2015 to 54.2% in 2019. This increase of women's share was due to the fact that the number of unemployed men decreased in the considered period (by about 120 thousand, or 33.1%) more than the number of unemployed women.

The registered unemployed<sup>20</sup> are considered in respect of their education level, age and the length of unemployment spell. The structure based on education levels indicates that one in three unemployed persons has incomplete secondary education (33.6% or 178 thousand persons), more than a half have secondary education (51.8% or about 274 thousand persons), while 14.6% of unemployed persons (or about 77 thousand) have higher education degrees. The age structure of the unemployed is unfavourable: persons over 50 years of age (about 178

19 Includes: persons with incomplete primary school, persons with primary school and persons with incomplete secondary school.

20 Calculation based on the average number of unemployed persons on the NES register in 2019



thousand) account for 33.6% of total registered unemployment, whereas the share of youth is 20.7% (or about 110 thousand persons). Long-term unemployment, which implies that a person has been unemployed for longer than one year, is a characteristic of 65.9% of persons on the National Employment Service register. The predominant trends in the structure of registered unemployment are the increasing share of women, persons with incomplete secondary education and persons older than 50, as well as a moderate increase of the share of persons who have been unemployed longer than two years.

### ***Hard-to-employ persons***

As per the Law on Employment and Unemployment Insurance, hard-to-employ persons are defined as unemployed persons who have difficulties finding a job as a consequence of their medical condition, insufficient or inadequate education, social or demographic background, as well as due to regional or occupational mismatch of supply and demand in the labour market, or other objective circumstances. Particularly vulnerable are persons who are facing multiple employment difficulty / vulnerability factors at the same time.

### ***Women***

According to estimates from 2019, women account for 51.3% of the population of the Republic of Serbia. If only the working-age population is considered, it is estimated that the number of women in the Republic of Serbia exceeds the number of men by only about 4,500. However, despite the balanced sex structure of the working-age population, the share of women in the active and employed population is about 45%. Considering that participation in the labour market and employment substantially contribute to one's economic independence and social inclusion, this is the reason why women are categorised as a vulnerable group in the labour market.

The activity rate of working-age women was 16 pp lower than that of men in 2015, while in terms of employment rate women lagged behind men by 14.2 pp. However, the past five years have been marked by improvements of women's absolute and relative position, reflected in the increase of their activity rate (by 5.7 pp) and employment rate (by 9.4 pp). Despite these improvements, the gender gap has persisted in all indicators of the Serbian labour market, i.e. women are in a much more unfavourable situation compared to the male population.

Table 6. Key labour market indicators for working-age population, by sex, %, 2015-2019

	2015	2016	2017	2018	2019	Change 2019 vs 2015
	Rates, %					percentage points
<b>Activity rate gender gap</b>	<b>-16.0</b>	<b>-15.0</b>	<b>-14.2</b>	<b>-14.5</b>	<b>-13.6</b>	
<i>Men</i>	71.6	73.1	73.8	75.1	74.9	3.3
<i>Women</i>	55.6	58.1	59.6	60.6	61.3	5.7
<b>Employment rate gender gap</b>	<b>-14.2</b>	<b>-13.5</b>	<b>-13.1</b>	<b>-13.6</b>	<b>-12.8</b>	
<i>Men</i>	59.1	61.9	63.9	65.6	67.1	8.0
<i>Women</i>	44.9	48.4	50.8	52.0	54.3	9.4
<b>Unemployment rate gender gap</b>	<b>1.9</b>	<b>1.4</b>	<b>1.3</b>	<b>1.7</b>	<b>1.1</b>	
<i>Men</i>	17.4	15.3	13.5	12.5	10.4	-7.0
<i>Women</i>	19.3	16.7	14.8	14.2	11.5	-7.8
<b>Inactivity rate gender gap</b>	<b>16.0</b>	<b>15.0</b>	<b>14.2</b>	<b>14.5</b>	<b>13.6</b>	
<i>Men</i>	28.4	26.9	26.2	24.9	25.1	-3.3
<i>Women</i>	44.4	41.9	40.4	39.4	38.7	-5.7

Source: LFS, SORS

At 61.3%, women's activation rate was lower than men's (74.9%) by 13.6 pp. Although the activity rate gender gap decreased over the years (from 16 pp in 2015 to 13.6 pp in 2019), men's activity rate was higher than the activity rate of working-age women throughout the considered period.

Women's employment rate (54.3%) was lower than men's (67.1%) by 12.8 pp. Although the employment rate gender gap decreased over the years (from 14.2 pp in 2015 to 12.8 pp in 2019), men's employment rate was higher than the employment rate of working-age women throughout the considered period.

The improvement of women's labour market performance, especially with regard to activity and employment, was also brought about by institutional changes. The factor that most directly influenced the activity of women in the labour market was the change of the statutory retirement age, as well as the introduction of penalties for early retirement. The continuous increase of the statutory retirement age has undeniably increased women's activity and employment by prolonging the connection, either voluntary or involuntary, of the cohorts of older women with the labour market.

Although the unemployment of both women and men declined in the considered period, the rate of decline was higher among women, resulting in the decrease of the unemployment rate gender gap to 1.1 pp in 2019 (from 1.9 pp in 2015). The unemployment rate of women and men in 2019 stood at 11.5% and 10.4%, respectively.



The Republic of Serbia is the first non-EU country to introduce the Gender Equality Index<sup>21</sup>. The Gender Equality Index for the Republic of Serbia is 55.8 %<sup>22</sup>, showing an improvement in gender equality as the index grew by 3.4 points between 2014 and 2016. However, the value of the index for the Republic of Serbia is still lower than the EU-28 average score of 66.2<sup>23</sup>. The Republic of Serbia is ranked 22nd on the common ranking list with EU Member States<sup>24</sup>. One of the core axes of inequality registered by the Index is gender segregation, which takes roots during the period of education and later continues in the labour market. Inequalities are also visible in the domain of money, since women have lower income than men do, while certain groups of women also run higher risk of poverty. Inequalities in the domain of time indicate how much of their time and effort women devote to the care of their households and families, i.e. to unpaid domestic work.

## Youth

In the Republic of Serbia, youth are defined as persons aged 15 to 30<sup>25</sup>. The decision to consider the population of youth in broader terms (up to age 30) is influenced by global social changes that have caused the phenomenon of “extended youth”, which entails a prolonged period of education, later entry into the labour market, as well as later marriage and postponed parenthood. However, according to the ILO definition, youth are a somewhat narrower population that includes persons aged 15 to 24, and this is the definition that is used for the purposes of the Labour Force Survey in order to ensure international data comparability.

The analysis of the trends of labour market indicators in the recent years indicates that young people have, to a certain extent, improved their initially very unfavourable position. In the period 2015–2019, youth employment increased, their activity slightly improved, while unemployed decreased.

21 The Gender Equality Index is an EU instrument that measures gender equality on a scale of 1 (full inequality) to 100 (full equality) across six domains: knowledge, work, money, health, time and power, as well as two sub-domains: violence and intersecting inequalities.

22 It was calculated for 2016, and the results were published in 2018.

23 Refers to year 2015

24 According to the second edition of the Gender Equality Index, the Republic of Serbia is ranked higher than seven EU Member States: Cyprus, Czech Republic, Croatia, Romania, Slovakia, Hungary and Greece.

25 Law on Youth (Official Gazette of RS, No 50/11)

Table 7. Key labour market indicators for youth (15-29)<sup>26</sup>, by sex, %, 2015-2019

	2015	2016	2017	2018	2019	Change 2019 vs 2015
<b>Activity rate</b>	<b>46.1</b>	<b>47.2</b>	<b>47.6</b>	<b>48.1</b>	<b>47.0</b>	<b>0.9</b>
Men	52.0	53.0	53.6	54.4	53.5	1.5
Women	39.9	41.0	41.2	41.5	40.1	0.2
<b>Activity rate gender gap</b>	<b>-12.2</b>	<b>-12.0</b>	<b>-12.4</b>	<b>-12.9</b>	<b>-13.4</b>	
<b>Employment rate</b>	<b>30.2</b>	<b>33.1</b>	<b>34.9</b>	<b>36.3</b>	<b>36.9</b>	<b>6.7</b>
Men	35.2	38.4	40.3	41.9	42.4	7.2
Women	25.0	27.5	29.1	30.5	31.1	6.1
<b>Employment rate gender gap</b>	<b>-10.2</b>	<b>-10.9</b>	<b>-11.2</b>	<b>-11.5</b>	<b>-11.4</b>	
<b>Unemployment rate</b>	<b>34.5</b>	<b>29.8</b>	<b>26.7</b>	<b>24.5</b>	<b>21.5</b>	<b>-13.0</b>
Men	32.4	27.5	24.8	23.0	20.8	-11.6
Women	37.4	32.8	29.3	26.6	22.5	-14.9
<b>Unemployment rate gender gap</b>	<b>5.0</b>	<b>5.3</b>	<b>4.5</b>	<b>3.6</b>	<b>1.7</b>	
<b>Inactivity rate</b>	<b>53.9</b>	<b>52.8</b>	<b>52.4</b>	<b>51.9</b>	<b>53.0</b>	<b>-0.9</b>
Men	48.0	47.0	46.4	45.6	46.5	-1.5
Women	60.1	59.0	58.8	58.5	59.9	-0.2
<b>Inactivity rate gender gap</b>	<b>12.2</b>	<b>12.0</b>	<b>12.4</b>	<b>12.9</b>	<b>13.4</b>	

Source: LFS, SORS

Youth inactivity rate was 53% in 2019 and remained almost unchanged in the considered period (2015-2019). An inactivity rate as high as this can, to a certain degree, be attributed to schooling, considering that youth in the Republic of Serbia who are in the process of education are less involved in the labour market compared to their peers in the EU countries (EY-28: 43.4%).

The share of youth in Serbia's labour force is low by European standards. The NEET rate (youth who are not in employment, education or training) was 18.9% in 2019, which constituted a decrease by 5.6 pp compared to 2015. This decrease indicated that young people in Serbia either found jobs more easily or stayed in education longer in the considered period.

The transition from school to a first stable and/or satisfactory job in the Republic of Serbia takes a very long time, almost two years on average (23.4 months)<sup>27</sup>. That is much longer than 6.5 months, which is the average time it takes a young person in the EU to attain a first job after completing education. Youth in rural areas need more time to make the school-to-work transition. Young people with a university degree will cut the average period between school and work by a half (11.7 months), whereas those with the lowest educational level will need 41 months to attain a first job. This is important to note, considering that some programmes

26 The statistical age group 15-29 includes persons aged from 15 years to 29 years and 364 days, in conformity with the definition provided by the Law on Youth.

27 "Labour market transitions of young women and men in the Republic of Serbia" (2016) [https://www.ilo.org/employment/areas/youth-employment/work-for-youth/publications/national-reports/WCMS\\_488799/lang-en/index.htm](https://www.ilo.org/employment/areas/youth-employment/work-for-youth/publications/national-reports/WCMS_488799/lang-en/index.htm)

intended for youth focus on persons with higher education whose unemployment rate is the highest, but only temporary in nature. Longer transition to employment influences the age at which young persons leave their parental homes and start living alone or with a partner. At the moment of starting an independent life, the Serbian youth are on average six years older than their peers in the EU.

The youth employment rate was 36.9% in 2019, following an increase by 6.7 pp compared to 2015 (30.2%). One of the greatest challenges for youth in the Republic of Serbia who wish to become independent is finding and keeping a stable job.

The youth unemployment rate decreased considerably, from 34.5% in 2015 to 21.5% in 2019. This decrease by as many as 13 pp was significantly greater than that of the overall working-age population (7.3 pp). The decline of the youth unemployment rate was not solely the consequence of the increased number of employed youth, but also of the continuous emigration of this population group.

In terms of the quality of employment, the worst position is that of informally employed youth, who accounted for 24.3% of the total number of employed youth (15-24) in 2019.

The proportion of youth (15-24) employed on fixed-term contracts was 48.4%, youth employed on an open-ended basis accounted for 45.3%, while 6.4% of youth worked in seasonal and casual jobs in 2018<sup>28</sup>.

According to a recent regional study<sup>29</sup> on youth in Southeast Europe<sup>30</sup>, the desire to emigrate is widespread among youth in the Republic of Serbia, even more so than among their peers from the neighbouring countries. The data for the Republic of Serbia show that almost 75% of youth (15-29) wish or intend to leave the country. For about 20% of them, the most desirable option is short-term migration (for a year or two), while another 20% consider moving out of the country permanently. Their reasons for emigration are the desire to improve their living standard, as well as greater educational opportunities.

Young women (15-29) in the Republic of Serbia are a multiply vulnerable category in the labour market, as also illustrated by the values of the key labour market indicators. The unemployment rate of young women was 37.4% in 2015 (5 pp higher than that of young men). However, in the period 2015-2019, young women improved their relative position in the labour market, leading to the decrease of their unemployment rate by as many as 14.9 pp, thus decreasing the gender gap to 1.7 pp in 2019 (from 5 pp in 2015). The position of young women also improved with respect to employment rate, which increased by 6.1 pp in the considered period; however, this was not enough to close the gender gap, since the employment of young men grew at a higher rate (by 7.2 pp). Compared to their male peers, young women faced greater difficulties in respect of their activation in the labour market, judging by the fact that their activation rate (40.1% in 2019, and 13.4 pp lower than men's) did not change in the considered period.

28 Study on the Position of Youth in Serbia, ETF (2020)

29 Youth Studies Southeast Europe 2018/2019, (Popadić et al., 2019.) p. 10 <https://www.fes.de/en/youth-studies/>

30 Albania, Bosnia and Herzegovina, Bulgaria, Croatia, North Macedonia, Montenegro, Romania, Serbia and Slovenia

## Older working-age population

Just like most EU countries, the Republic of Serbia has been facing the problem of population ageing. The older working-age population (aged 50–64 years) is a vulnerable group in the labour market that included about 1.4 million persons in 2019. Between 2015 and 2019, this age cohort decreased by 128 thousand people.

Table 8. Key labour market indicators for older working-age population (50–64), 2015–2019

	2015	2016	2017	2018	2019	Change 2019 vs 2015
	Absolute numbers (thousands)					
<b>Population aged 50–64</b>	1,580	1,545	1,517	1,488	1,452	-128
<b>Active population</b>	829	867	877	878	888	59
<b>Employed</b>	730	781	799	799	826	96
<b>Unemployed</b>	99	86	78	79	61	-38
<b>Inactive population</b>	751	678	640	610	564	-187
	Rates, %					
	percentage points					
<b>Activity rate</b>	52.4	56.1	57.8	59.0	61.1	8.7
<b>Employment rate</b>	46.2	50.5	52.7	53.7	56.9	10.7
<b>Unemployment rate</b>	11.9	9.9	8.8	9.0	6.9	-5.0
<b>Inactivity rate</b>	47.6	43.9	42.2	41.0	38.9	-8.7

Source: LFS, SORS

The relative position of the older working-age population in the labour market improved in the considered period. Activation and employment rates increased perpetually year after year, reaching in 2019 their maximum values of 61.1% (an 8.7 pp increase relative to 2015) and 56.9% (a 10.7 pp increase relative to 2015), respectively. On the other hand, the unemployment rate decreased by 5 pp to 6.9% in 2019.

The improvement of the older population's relative position was primarily influenced by institutional changes. One change pertained to severance pay, the amount of which was linked to the duration of employment with the last employer only, in compliance with the Labour Law amendments passed in 2014. Prior to these amendments, the calculation of the severance pay amount discouraged employers to hire older persons because they were wary of the potential threat of having to pay large amounts of severance pay in case of potential dismissal of persons with longer pensionable service. Another institutional change was the increased statutory retirement age, which directly influenced the increase of activity and employment of the older working-age population. Lastly, the increased activity was also caused by the introduction of penalties for early retirement.

The changes in technology and production processes made it relatively more difficult for older persons to independently adapt to new labour market needs than it did for others. The main problem of these persons is the obsolescence of their knowledge and skills. The situation is particularly unfavourable for persons who have worked in the same company for many years and whose position has become redundant due to technological, economic or organisational changes. Insufficient adaptability and discouragement due to the inability to find an adequate job can lead these persons to slip into inactivity relatively easily.

### *The long-term unemployed*

The long-term unemployed are persons who have been jobless for 12 months or longer. Long-term unemployment is destructive, since it leads to the decrease of unemployed persons' competencies, the obsolescence of their knowledge and skills, discouragement to keep looking for a job, to being pushed out of the labour market etc.

In parallel with the overall recovery of the labour market, the number of long-term unemployed working-age persons also decreased to about 168 thousand in 2019. As the number of long-term unemployed persons declined (by 160 thousand in the period 2015-2019), their share in the total unemployment also decreased to 50.3% (a 9.4 pp decrease in the considered period).

Table 9. Unemployed working-age population by length of unemployment spell, 2015-2019

	2015	2016	2017	2018	2019	Change 2019 vs 2015
The unemployed (15-64), thousands	550	488	433	411	335	-215
<b>The long-term unemployed (12+ months), thousands</b>	<b>328</b>	<b>289</b>	<b>228</b>	<b>208</b>	<b>168</b>	<b>-160</b>
Share of the long-term unemployed in total unemployment, %	59.7	59.1	52.6	50.5	50.3	-9.4
<b>Long-term unemployment rate, %</b>	<b>10.9</b>	<b>9.4</b>	<b>7.4</b>	<b>6.7</b>	<b>5.5</b>	<b>-5.4</b>

Source: LFS, SORS

The long-term unemployment rate, defined as the ratio of the number of long-term unemployed persons to the active working-age population, which stood at 5.5% in 2019, had decreased by 5.4 pp in the period of 2015-2019.

## Persons with disabilities

Persons with disabilities often face discrimination, mostly due to the limited access to constitutional and legal rights<sup>31</sup>. The main challenges faced by persons with disabilities include: barriers for their movement and use of public transport; accessibility of various public buildings, access to services and information; access to employment and the possibilities for reasonable adaptation of workplace conditions; access to education and vocational training.

The average number of persons with disabilities who are willing to search for a job actively (who are not temporarily unfit for work etc.) on the National Employment Service register decreased between 2015 and 2019 (by 1,912 persons); however, the share of this category of unemployed persons increased in the total unemployment by 0.5 pp (from 2.1% in 2015 to 2.6% in 2019).

Table 10. Persons with disabilities on the National Employment Service register, 2015–2019

	2015	2016	2017	2018	2019
	Number of persons, average for the year				
The unemployed	743,158	713,153	650,573	583,099	529,508
<b>Persons with disabilities</b>	<b>15,429</b>	<b>15,660</b>	<b>14,906</b>	<b>14,429</b>	<b>13,517</b>
<i>Share in total unemployed population, %</i>	2.1	2.2	2.3	2.5	2.6

Source: NES

The data for 2020 (as at 31 October 2020) show that the number of active job seekers with disabilities on the National Employment Service register is 12,528, of whom 42.6% are women. As regards their education levels, 54.7% have secondary education, 38.8% have incomplete secondary school, and only 6.6% of unemployed persons with disabilities have higher education. Their age structure is as follows: 46.7% of unemployed persons with disabilities are aged 50 or over, 41.8% are in the 30–49 age group, while 11.6% are youth up to 30 years of age. The share of unemployed persons with disabilities who have been unemployed longer than 12 months is 76.4%, while 61.9% have been unemployed longer than two years. The characteristics of unemployed persons with disabilities are unfavourable educational and age structure, as well as high share in long-term unemployment.

<sup>31</sup> According to the annual reports of the Equality Commissioner, more than a quarter of the total number of complaints of discrimination filed to this institution pertain to PWD <http://ravnopravnost.gov.rs/rs/izvestaji/>

## The Roma

Members of the Roma national minority are facing poor employability and access to the labour market for a number of reasons, most notably the unfavourable educational structure, lack of work experience, knowledge and skills, generally low motivation to participate in the formal labour market, as well as widespread discrimination and stereotypes in relation to their employment.

According to the records on registered unemployed for the period 2015–2019, the average number of unemployed Roma on the National Employment Service register increased in this period by about 3,800, and their share in total unemployment increased by 2 pp. However, it should be emphasized that the increase of Roma unemployment does not necessarily have a negative connotation, since the National Employment Service has in the recent years been undertaking activities aimed at Roma activation and registration, which increases their opportunities for inclusion in active labour market policy measures and employment.

Table 11. The Roma on the National Employment Service register, 2015–2019

	2015	2016	2017	2018	2019
	Number of persons, average for the year				
The unemployed	743,158	713,153	650,573	583,099	529,508
<b>The Roma</b>	<b>22,437</b>	<b>25,126</b>	<b>26,537</b>	<b>26,099</b>	<b>26,266</b>
Share in total unemployed population, %	3.0	3.5	4.1	4.5	5.0

Source: NES

The data for 2020 (as at 31 October 2020) show that the number of persons who declared themselves to be of Roma ethnicity on the National Employment Service register is 27,595, of whom 50.2% are women. The principal educational characteristic of this unemployed category is a large proportion of persons with no/low qualifications (89.5%). The share of the Roma with secondary education is 10%, while only 0.6% of them have higher education. As for their age structure, 28.3% are youth up to age 30, 48.6% are persons aged 30–49, while 23.1% of unemployed Roma are aged 50 or over. Long-term unemployment is a characteristic of 68.4% of the Roma on the National Employment Service register, while 53.7% have been unemployed longer than two years.

More than 11,000 Roma on the National Employment Service register are financial social recipients capable for work, i.e. 42% of the total registered unemployed Roma are recipients of this social benefit, which additionally indicates their unfavourable socio-economic status.











### ***3.1.4. Impact of the COVID-19 pandemic on the economy and labour market of the Republic of Serbia***

Based on the latest available data on registered employment, it can be concluded that the labour market of the Republic of Serbia has coped successfully with the pandemic's negative impact. Employment in the formal labour market (registered employment<sup>32</sup>) grew in Q2 2020 by 10 thousand persons – an increase by 0.5% compared to Q1, while in Q3 2020 it grew by 1.3% compared to Q2 2020. The key labour market indicators, based on the LFS data, also showed no negative impact of the COVID-19 pandemic and the economic crisis that ensued<sup>33</sup>.

This has largely been the consequence of the achieved fiscal balance and financial stability in the recent period, as well as of the set of support measures for the economy and the population, aimed at preserving the liquidity of businesses and sustaining economic activity and employment.

The Republic of Serbia has an open and integrated economy, primarily oriented towards the EU market (about two thirds of the total Serbian exports in 2019 were destined for the EU market), which is why any long-term limitation of movement and decreased economic activity of Serbia's key partners will inevitably cause a decline in economic cooperation. Nevertheless, under the influence of these factors, the economy of the Republic of Serbia will decline in 2020 by only 1.0%, while the projected real GDP growth for 2021 is 6.0%.<sup>34</sup>

In the post-crisis period after the COVID-19 epidemic, it is vital to provide stable funding of active labour market policy measures, in order to ensure that unemployed persons remain linked to the labour market, prevent the loss and obsolescence of their knowledge and skills and enable training for the jobs that will be created after the crisis, thus contributing to long-term economic growth.

### ***3.2. Analysis of the results of implementation of previous policy documents***

The National Employment Strategy 2011-2020 is an exhaustive policy document with clearly stipulated priorities aimed at:

- 1)** stimulating employment in less developed regions and developing regional and local employment policies;
- 2)** enhancement of human capital and better social inclusion;
- 3)** enhancement of institutions and labour market development;
- 4)** reducing labour market dualism.

Although its ten-year lifespan, same as that of the Europe 2020 Strategy, was rather lengthy and, hence, challenging for blueprinting and planning, its overall goal to increase employment

32 Survey on registered employment, SORS

33 Since employment and unemployment rates are lagging indicators of economic activity, the impact of the pandemic on the labour market indicators is not expected to become visible until late 2020 and early 2021.

34 Fiscal Strategy for 2021, with Projections for 2022 and 2023 (Official Gazette of RS, No 142/20)

was achieved almost entirely, as indicated by the trend of its primary indicator – employment rate, as well as the related indicators of activity and unemployment. Despite the still substantial lag behind the indicators of the EU labour market, solid progress has been achieved with regard to narrowing this gap, as well. Progress has been less pronounced in the qualitative aspects of the achieved extensive employment growth, which include the structure of employment, wage levels, inclusion of vulnerable groups, especially youth, who have not achieved the targets for any of the indicators envisaged in the strategy.

The implemented active labour market policy measures and the support provided to local and regional initiatives are also implemented in other EU countries.

One of the challenges in the implementation of active labour market policies was related to the targeting of unemployed persons for participation in the measures, since almost 80% of all unemployed persons belonged to at least one hard-to-employ category. This problem was relatively successfully solved through employability assessment, which showed who needed to be referred to the measures, based on the individual characteristics of persons. Moreover, the strategy introduced the concept of multiple vulnerability, where the priority of access to intensive interventions and financial measures was given to persons with multiple factors of vulnerability.

As regards the gross effects of the financial active labour market policy measures, they were particularly strong for the measures of subsidised employment (subsidies for self-employment and for job creation/hiring hard-to-employ persons), especially following the redesign of these measures in 2016 and 2017, mostly thanks to their increased selectivity and improved targeting of hard-to-employ persons. At the same time, the effectiveness of public works schemes decreased, since the redesign of this measure entailed that persons did not enter into a contract of employment, but rather worked on a casual work contract; nevertheless, this measure showed that it still effectively performed its primary function of bringing the vulnerable groups closer to the labour market. Greater significance had to be given to further education and training measures, especially those targeting youth, persons with low qualifications and the long-term unemployed.

The expected outcomes were achieved with very modest available funds for active labour market policy measures (not only were these funds not increased, they were even further decreased compared to the baseline level, i.e. the budget for these measures remained under or about 0.1% of GDP throughout the strategy implementation period, which was the smallest budget for this purpose compared to those in Europe and the neighbouring countries); therefore, the outcomes should be viewed not only as the success of the National Employment Strategy 2011-2020, but also as a result of the implemented macroeconomic policy and structural reforms, as well as of the favourable environment. The funds allocated for financing the measures intended for unemployed persons with disabilities and enterprises for professional rehabilitation and employment of persons with disabilities could have been considerably larger, especially when they are compared with the inflow of funds into the Budget Fund for Professional Rehabilitation and Promotion of Employment of Persons With Disabilities (paid by employers who choose to fulfil their legal obligation by making financial contributions to the Budget Fund rather than by hiring persons with disabilities).

The achievement of the results and the implementation of the broader objectives of the National Employment Strategy 2011-2020 was significantly facilitated by the funds from other sources (donor funds), even when they were not provided as direct grants.

The disparities of economic development levels among certain regions of the Republic of Serbia were also reflected on the specific conditions in and characteristics of local labour markets. This fact greatly influenced the need to identify the most vulnerable unemployed categories at the local level, as well as to define the target groups to be supported, which is why the involvement of local self-governments in active labour market policy planning and implementation through local employment action plans represented a positive step towards decentralisation. The co-funding of active labour market policy measures determined by local employment action plans from the budget of the Republic of Serbia, which was enabled by the Law on Employment and Unemployment Insurance from 2009, was an innovative solution that encouraged local stakeholders to design solutions relevant for the local labour market. In 2010, immediately before the implementation of the National Employment Strategy 2011-2020 started, there were only 10 established local employment councils, as advisory bodies consisting of relevant stakeholders, whose existence was a requirement for the national co-funding of local employment action plans. By 2019, the number of local self-governments that received national co-funding for their local employment actions increased to 101, while 56 local self-governments financed their active labour market policies independently, from their local budgets. The funds allocated by local self-governments for the implementation of active labour market policy measures increased threefold during the strategy implementation period. Local employment policies, which have evidently experienced expansion since 2011, are one of the most remarkable outputs of this strategy. However, the changes and high turnover of individuals in local self-governments who were trained in the development of local employment action plans and participated in the formulation of guidelines for local needs-based policy planning are one of the hindrances for further expansion of local programmes and/or further planning of local employment actions plans and the design of specific active labour market policy measures that can be implemented in local labour markets through the established mechanism of cooperation with the Ministry of Labour, Employment, Veteran and Social Affairs and the National Employment Service, with the participation of relevant partners.

In addition to active labour market policy measures that provided greater financial support to less developed areas (e.g. the amount of subsidies provided to employers for hiring hard-to-employ persons depended on the development level of the local self-government), larger amounts of co-funding were also provided from the national budget for local employment actions plans in less developed areas; however, other than these criteria, no emphasis was placed on further education and training measures. The classification of local self-governments by development levels that was used for determining the criteria and priorities has remained unchanged since 2014; therefore, the question remains open as to whether the changes that have occurred in the meantime in local labour markets and other indicators that are monitored would have led to a different classification of local self-governments by development levels, i.e. whether the support has, indeed, been provided to less developed local self-governments and whether the distribution of active labour market policy measures to underdeveloped and devastated areas aimed at the reduction of regional disparities would have been better if the list of local self-governments by development levels had been updated regularly, on an annual basis.

The measures undertaken towards a more balanced regional development, among other instruments, included the channelling of investments into less developed regions. Design-wise, the measures to support direct investments were directed towards supporting economic development and productive employment in the private sector, where investors were given the freedom to choose workers irrespective of their status in the labour market, which left little scope for promoting the employment of vulnerable groups in the labour market when this type of support was awarded.

With a view to enhancing human capital and social inclusion as a way of contributing to knowledge-based economic growth by matching labour market supply and demand, implementation of many activities were planned aimed at inclusive education, career guidance and counselling, competency building via the acquisition of additional knowledge and skills through training and the recognition of the knowledge and skills gained in non-formal education and informal learning. The envisaged results of these activities were not achieved to their full extent during the strategy implementation period. The Law on the National Qualifications Framework of the Republic of Serbia (hereinafter: the Law on NOFS) was adopted in 2018 and significant progress has been made towards the establishment and implementation of the National Qualifications Framework (NOFS), as one of the key instruments regulating the area of qualifications and its connection with the labour market. The adoption of the Law on NOFS was followed by the establishment of the NOFS Council, the Qualifications Agency and 12 sectoral councils that act as institutional initiators of the development of the necessary qualifications and the modernisation of existing ones in line with labour market needs, identify adult training opportunities within the sectors, and propose the list of qualifications by levels and types that can be acquired through prior learning recognition. The sectoral councils have more than 250 members, including the representatives of the education system, businesses and the labour market, professional chambers, associations, trade unions, line ministries etc., which is the primary source of the ability of these bodies to assess the correlation of qualifications with the labour market needs.

The development of career guidance and counselling was given special attention during the implementation period of the National Employment Strategy 2011-2020, and activities towards establishing the standards of the provision of career guidance and counselling services were intensified in the final year of strategy implementation, as well.

The development of the concept of prior learning recognition is in progress; however, the concept was not implemented in the period 2011-2020. This concept is extremely important considering that one in three unemployed persons on the National Employment Service register has incomplete secondary education and that their chances of finding a decent job would have been significantly better if their prior knowledge and experiences had been properly verified, through a process of prior learning recognition.

Competency enhancement via the acquisition of additional knowledge and skills through training provided by non-formal education service providers (NFESP) was not conducted to its full extent. Although the requirements with regard to the curricula, staff, space, equipment and teaching aids for obtaining the NFESP status were stipulated in 2015, apparently the number of approved NFESPs and non-formal education curricula is still insufficient considering the needs for training in various occupations that are assessed based on the registered vacancies, the Employer Survey conducted annually by the National Employment Service, and other sources of information about the labour market supply and demand. On the other hand, the participation of unemployed persons in the training provided by education service providers which are not publicly recognised takes away the possibility for the trainees to obtain an official certificate of acquired competencies.

In the early days of the implementation of the National Employment Strategy 2011-2020, the Republic of Serbia did not have a national standard classification of occupations harmonised with the International Standard Classification of Occupations ISCO-08; instead, it used a classification of occupations that was not aligned with international standards and did not include all existing occupations in the national labour market, while it did include occupations that were obsolete in relation to the technological changes. Building on the implemented proj-

ects and responding to the needs of the economy and the labour market, a new list of occupations (codebook of occupations) harmonised with the ISCO-08 standard was developed and adopted, and has been in use since the beginning of 2019. At the end of 2020, the Ministry of Education, Science and Technological Development published the List of Qualifications in the Republic of Serbia, harmonised with ISCED-F 2013 international standard classification of education; however, it is necessary to stipulate the obligation of institutions, authorities and employers to use the new list (codebook) of qualifications, considering that the old codebook of occupations and qualification levels from 1998, which was used for coding qualifications, is still used for this purpose.

During the National Employment Strategy 2011-2020 implementation period, some progress, albeit uneven, was made towards the alignment of the employment policy and labour market institutions with the EU acquis.

The new Law on the Employment of Foreigners was adopted, which regulates the requirements and procedures for the employment of foreigners in the Republic of Serbia. In compliance with the Republic of Serbia's commitments undertaken by the ratification of the ILO Convention no 181 Concerning Private Employment Agencies, the Law on Temporary Agency Employment was adopted, regulating the protection of the rights of workers concluding employment agreement with temporary employment agencies in order to be leased temporarily to the user employer.

The Law on Simplified Arrangements for Seasonal Work in Certain Areas was adopted, which regulates the working conditions of seasonal workers (in the sector of agriculture, forestry and fisheries), the right to be compensated for their work, insurance rights and other issues of relevance to the exercise of seasonal workers' rights arising from this type of engagement.

At this moment, it is difficult to assess the long-term effects of the last two laws mentioned above, as their implementation has started recently; however, they will certainly lead to the transfer of employment to the legal sphere, as well as to the increase of overall employment, at least in the months in which seasonal workers are in high demand.

Despite multiple rounds of preparation, the legislation in the area of social entrepreneurship was never adopted and this task remains a challenge for the forthcoming period.

Given the length of time that has elapsed since the adoption of the Law on Employment and Unemployment Insurance and the Law on Professional Rehabilitation and Employment of Persons with Disabilities, an in-depth analysis of the implementation of regulations and their impacts could be relevant for identifying the need for improvements of or amendments to the provisions that are found to be no longer applicable in practice or falling short of expected results (focusing on matters such as the expansion of the list of employment service providers, the differentiation of active labour market policies into services and measures, the right to unemployment benefit and the calculation of its amount, the obligation to hire persons with disabilities and the monitoring of compliance with this obligation, the availability of the full amount of funds paid to the Budget Fund in accordance with the purposes stipulated by the regulations in the area of employment and vocational rehabilitation and so on).

If the indicator of the reduction of labour market dualism is the increase of formal and the decrease of informal employment, these changes did occur in the considered period; however, a change that also took place was the redistribution of informally employed persons by professional status, considering that the proportion of self-employed and wage employees in unregistered companies increased, while that of contributing family workers decreased.



Moreover, the “flexible” forms of work, such as those based on service contracts, casual work contracts, traineeship contracts, or work through student or youth cooperatives have become increasingly widespread; therefore, it is necessary to review the pertinent legislation that is interpreted too broadly and arbitrarily by employers, leading to serious erosion of the labour and social rights of the persons engaged through them. It should be noted that active participation of social partners is a fundamental factor in the strengthening of flexicurity, a concept that entails flexible and secure work contracts from the perspective of both employers and employees. Although the development of a new Labour Law was not included as a task in the National Employment Strategy 2011-2020, practice has revealed the need to review the alignment of the Labour Law with the EU directives and other regulations, as well as with international standards.

The sustainability of the results of the employment policy framework achieved in the period 2011-2020 will largely depend on the policymakers’ determination to ensure the continuity of implementation of accepted policies, use the previously developed resources and strengthen the capacities, in conjunction with the implementation of development measures and interventions.

The analyses conducted for strategy development purposes by ILO experts also recognised the same challenges, pertaining to:

- 1)** The analyses conducted for strategy development purposes by ILO experts also recognised the same challenges, pertaining to;
- 2)** the limited use of methods and tools for the activation of unemployed persons;
- 3)** the insufficient funds for active labour market policy measures and the poor effectiveness of certain measures (especially of labour market training programmes);
- 4)** the understaffed organisational units of the Ministry of Labour, Employment, Veteran and Social Affairs that are in charge of active labour market policies.

Assessment made in the European Commission Serbia 2020 Progress Report should also be taken into account, which states that the Republic of Serbia is moderately prepared in the area of social policy and employment. The labour market has seen considerable improvements in recent years, but structural problems, demographic and migration challenges remain. There is a lack of adequate financial and institutional resources for employment and social policies to ensure more systematic targeting of youth, women and the long-term unemployed, and to improve the adequacy of social benefits for people below the poverty threshold.



### 3.3. Problem analysis and stakeholders

On the basis of the Republic of Serbia labour market situation analysis presented above, ex-post impact assessment and other thematic assessments, the following key problems have been identified, to be addressed by Strategy implementation:

Table 12. Identified key problems, translated into goals and measures

Key problems and their causes and consequences		Goals	Measures
<b>Problem</b>	Low overall employment and slow dynamics of high-quality job creation.	Created stable and sustainable employment growth underpinned by knowledge and decent work.	
<b>Problem</b>	Insufficiently effective coordination of employment policy with other sectoral policies.	Created growth of high-quality employment through cross-sectoral measures to enhance labour supply and demand.	
<b>Cause/ consequence</b>	Labour market demands are changing rapidly, which leads to a knowledge, skills and competencies mismatch.		Improve the conditions for the development of a high-quality labour force.
<b>Cause/ consequence</b>	Work does not pay owing to the high tax burden on wages. The introduction of the flexicurity concept has resulted in deterioration of employment quality.		Make work pay and enhance job quality.
<b>Cause/ consequence</b>	Inadequate cross-sectoral cooperation, especially between the sectors of economy, employment and education, in undertaking measures and interventions to match labour market supply and demand. Insufficient prevalence of employment in digital technology activities. Insufficient coverage of micro, small and medium-sized enterprises and entrepreneurs by business development support measures.		Integration of social protection beneficiaries into the labour market.

35 Analysis of the Professional Traineeship Programme, Institute of Economic Sciences (2020).  
 Organisational Review of the Section for Active Employment Policy within the Ministry of Labour, Employment, Veteran and Social Affairs of the RS, ILO (2020).  
 Rapid Assessment of Administrative Capacities of the National Employment Service of the RS, ILO (2020).  
 Introducing Youth Guarantee in the Republic of Serbia, Feasibility Assessment, ILO (2020).

<b>Cause/ consequence</b>	The approach to empowering vulnerable and marginalised social groups is not designed in such a way as to facilitate the implementation of policies to enhance their knowledge, skills and competences and prepare them to participate in the labour market and social life as active individuals. As a result, social protection beneficiaries are not integrated into the labour market.		Integration of social protection beneficiaries into the labour market.
<b>Cause/ consequence</b>	Weak capacities at the local self-government (LSG) level preclude the development of high-quality analyses of local labour markets, which, in turn, affects the quality of local employment action plans (LEAP), which do not correspond to local labour market needs to a sufficient extent. The existing institutional framework for the implementation of innovative solutions does not sufficiently support strengthening local employment policy.		Strengthening local employment policy.
<b>Problem</b>	The unemployed, especially hard-to-employ categories, face difficulties in labour market integration or reintegration.	Improved labour market position of the unemployed.	
<b>Cause/ consequence</b>	Different socio-demographic characteristics (health status, insufficient or inadequate education) or regional or occupational supply-demand mismatches in the labour market lead to difficulties in labour market integration; as a result, without additional support in the form of active labour market policy \ measures, the unemployed are not able to improve their labour market position.		Implementation of active labour market policy measures.

<b>Cause/ consequence</b>	Selection and referral of the unemployed to active labour market policy measures is often not adequate/justified, which results in lower efficiency and cost-effectiveness of the measures. The designed measures do not sufficiently correspond to the needs of the unemployed and the labour market.		Improve implementation and design of new active labour market policy measures.
<b>Cause/ consequence</b>	There is no labour market information system that would unify data from different sources needed to design evidence-based policies. Monitoring and evaluation of active labour market policy measures' outcomes and impact is insufficiently efficient or is missing.		Improvement of monitoring labour market situation and trends and the system for monitoring/evaluation of active labour market policy measures' outcomes and impact.
<b>Cause/ consequence</b>	Women's insufficient access to and coverage by measures geared towards economic empowerment and independence. Existence of a gender gap in the values of key labour market indicators, as well as a gap between men's and women's earnings for work of equal value (pay gap).		Improvement of women's labour market position.
<b>Cause/ consequence</b>	Labour market position of youth is less favourable than that of the general population. There are multiple causes relating to employment policy in a broader sense – labour market dualism, education system, social benefits system, labour taxation system (including compulsory social insurance contributions). While pursuing education, youth are less present in the labour market, which results in a high inactivity rate. Many young people are not in employment, education or training, and their labour force participation is very low. Lack of work experience is one of the most common barriers to youth employment.		Improvement of the labour market position of youth.

<b>Cause/ consequence</b>	The public insufficiently sensitised to the possibilities, potentials and rationale of labour market inclusion of persons with disabilities. Low labour market participation of persons with disabilities, lack of work experience and knowledge and skills in demand in the labour market.		Improvement of the labour market position of persons with disabilities.
<b>Cause/ consequence</b>	The key characteristics of the unemployed Roma are their unfavourable educational profile, lack of work experience and knowledge and skills in demand in the labour market, high proportion of socially disadvantaged Roma.		Improvement of the labour market position of the unemployed Roma.
<b>Problem</b>	The institutional framework for labour market policy does not keep pace with labour market changes.	Improved institutional framework for employment policy.	
<b>Cause/ consequence</b>	The labour market is constantly changing, which results in emerging needs that can be satisfied by developing new employment policy solutions with a view to ensuring the full functioning of entitlements and support modalities for people in a less advantageous position in the labour market.		Improvement of the legal framework.
<b>Cause/ consequence</b>	Employment service providers are involved in all aspects of service provision to the unemployed, in designing, managing, implementing, monitoring and assessing the effects of active labour market policy measures. It is, therefore, essential to constantly review their role and responsibilities, including with regard to capacity strengthening.		Strengthening the capacities of employment service providers, improvement of co-ordinated efforts and dialogue in the field of employment policy.

Stakeholders include authorities, organisations, natural persons and legal entities, associations, civil society organisations and other parties with an interest in the measures specified in the Strategy, i.e. all those interested to participate in its development through a consultation process:

- 1) national- and local-level decision-makers (Ministry of Labour, Employment, Veteran and Social Affairs; Ministry of Youth and Sports; Ministry of Education, Science and Technological Development; Ministry of Economy; Ministry of Finance; National Employment Service; Qualifications Agency; local self-governments);
- 2) representative organisations advocating the interests of key labour market actors – social partners (trade unions; employer associations, including chambers of domestic and foreign companies);
- 3) non-governmental sector (civil society organisations involved in employment matters, as well as the status and rights of vulnerable groups);
- 4) employment agencies;
- 5) international organisations and the donor community;
- 6) active labour market policy measure beneficiaries – target groups<sup>36</sup>: jobseekers, the unemployed, inactive, employed, employers, adult education providers.

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<sup>36</sup> A target group is a group of natural persons and/or legal entities and/or other stakeholders that is affected by policy measures.

### 3.4. Comparative international practices

In the European Union, national governments are primarily responsible for employment and social policy; however, the European Union supports their efforts through European funds, such as the European Social Fund (ESF), European Globalisation Adjustment Fund (EGF), EU Employment and Social Innovation Programme (EaSI).

The European Union coordinates and monitors national policies in the area of employment and **encourages Member States to share best practices** in the areas of employment, social inclusion, poverty and pensions (through the *Mutual Learning Programme*).

National policies are coordinated and aligned through the **European Semester**, an annual process to promote close coordination of economic and employment policies among EU Member States and EU institutions. Its implementation is supported by the **Employment Committee**, and it includes the following steps:

- 1) **Annual Sustainable Growth Strategy** specifies EU economic and employment policy priorities for the following 12 to 18 months;
- 2) **Alert Mechanism Report** shows, on the basis of specified indicators, what Member States may be affected by economic imbalances and should be covered by more detailed European Commission analyses;
- 3) **Joint Employment Report** analyses the employment and social situation in Europe and national governments' responses in the form of policies implemented; The report is published by the European Commission and endorsed by the EU Council.
- 4) **National Reform Programmes** are submitted to the European Commission by national governments, and describe in detail the economic policies to be implemented by each Member State to stimulate job creation and sustainable growth. On the basis of assessment of national reform programmes, the European Commission prepares a set of country reports analysing Member States' economic policies and issues **country-specific recommendations**.

**Public employment services** are institutions that match jobseekers with employers in EU Member States. Although they are structured differently in each country, all public employment services help match labour market supply and demand by providing information, employment services and active support at the local, national and European levels. These services liaise through the **European network of Public Employment Services**<sup>37</sup> in order to maximise public employment service efficiency by benchmarking, identify evidence-based good practices, encourage mutual learning, and promote service modernisation and strengthening.

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<sup>37</sup> Established by Decision No 573/2014/EU of the European Parliament and of the Council of 15 May 2014.

In EU Member States, there are three main types of **labour market policy (LMP) interventions**: a) LMP services, b) LMP measures, and c) LMP supports, which are then further classified into eight<sup>38</sup> detailed categories according to the type of action<sup>39</sup>:

**a) LMP services** cover all services and activities of public employment services (such as the National Employment Service in the Republic of Serbia) together with any other publicly funded services for jobseekers;

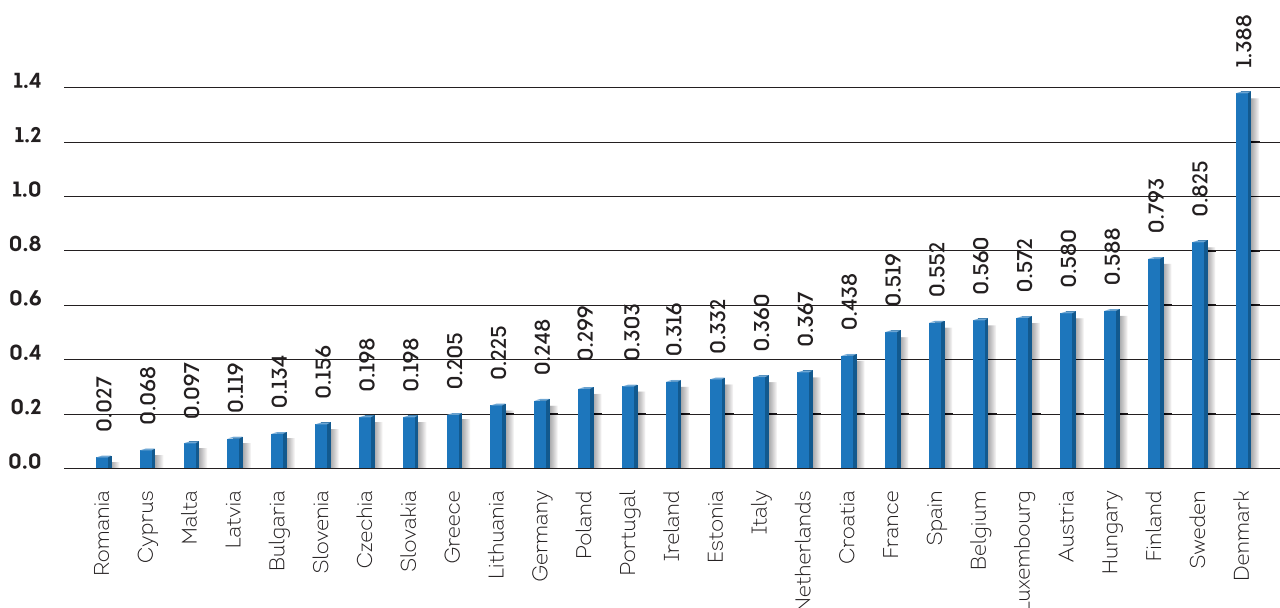
**b) LMP measures** cover interventions that provide temporary support for groups that are disadvantaged in the labour market and which aim at activating the unemployed, helping people move from involuntary inactivity into employment, or maintaining the jobs of persons threatened by unemployment;

**c) labour market policy** also includes **financial assistance that aims to compensate individuals for loss of wage or salary and support them during job-search** (i.e. mostly unemployment benefits) or **facilitates early retirement**.

**Total expenditures on labour market policies** (categories 1-9) in EU Member States ranged from 0.088% of the GDP in Romania to 2.8% of the GDP in Denmark in 2018, according to European Commission data. Between 2015 and 2018, a discernible **decline in allocations** for labour market policies was observed in most EU Member States. Allocations for passive measures (as a percentage of the gross domestic product) exceed allocations for active measures, and the difference is more pronounced in transition countries, as passive measures include allocations for support to workers laid off after the enterprises in which they had been employed were privatised or entered restructuring<sup>40</sup>.

**Expenditures on active labour market policies** (categories 2-7) in EU Member States ranged from 0.027% of the GDP in Romania to 1.388% of the GDP in Denmark in 2018. Data show that between 2015 and 2018, the number of people participating in active labour market policy measures rose in most EU Member States.

**Chart 3.** EU Member States' expenditures on active labour market policy measures as a percentage of the GDP, 2018



**Source:** European Commission, Directorate General for Employment, Social Affairs and Inclusion, [https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP\\_EXPSUMM/default/table?lang=en&category=lmp\\_expend](https://webgate.ec.europa.eu/empl/redisstat/databrowser/view/LMP_EXPSUMM/default/table?lang=en&category=lmp_expend)

38 The old numbering, with 9 intervention categories, has been retained. Specifically, category 3 - job rotation and job sharing - is no longer a separate category; instead, it has been included in category 4.

39 European Commission, Directorate General for Employment, Social Affairs and Inclusion, Labour Market Policy Metadata, available at: [https://ec.europa.eu/employment\\_social/employment\\_analysis/lmp/lmp\\_esms.htm](https://ec.europa.eu/employment_social/employment_analysis/lmp/lmp_esms.htm)

40 Labour Market and Employment Policy in the EU and Messages for Serbia, Marjanovic, G., Mihajlovic, V. (2015).





## **IV CHANGE TO BE ACHIEVED BY IMPLEMENTATION OF STRATEGY**

### **Vision:**

A developed labour market that facilitates access to employment under equal conditions for all.

### **Desired change:**

An inclusive labour market characterised by full and productive employment.









## V STRATEGIC GOALS AND OBJECTIVES

*Goal: Created stable and sustainable employment growth underpinned by knowledge and decent work*



<b>Effect indicator:</b>	Employment rates by age groups and sex (15+, 15-29, 15-64) Activity rates by age groups and sex (15+, 15-29, 15-64) Unemployment rates by age groups and sex (15+, 15-29, 15-64) Share of vulnerable employment (15+) <sup>41</sup>	
<b>Unit of measurement</b>	Percentage (%)	
<b>Baseline and target values</b>	2019:	2026: <sup>42</sup>
	<i>Employment rate</i>	<i>Employment rate</i>
	<b>(15+)</b> <b>49%</b>	<b>(15+)</b> <b>52.9%</b>
	Men      56.6%	Men      61.1%
	Women    41.9%	Women    45.3%
	<b>(15-29)</b> <b>36.9%</b>	<b>(15-29)</b> <b>41%</b>
	Men      42.4%	Men      47.1%
	Women    31.1%	Women    34.5 %
	<b>(15-64)</b> <b>60.7%</b>	<b>(15-64)</b> <b>66.1%</b>
	Men      67.1%	Men      73.1%
	Women    54.3%	Women    59.1%
	<i>Activity rate</i>	<i>Activity rate</i>
	<b>(15+)</b> <b>54.6%</b>	<b>(15+)</b> <b>58%</b>
	Men      62.7 %	Men      66.5%
	Women    47.1 %	Women    50 %
	<b>(15-29)</b> <b>47%</b>	<b>(15-29)</b> <b>49%</b>
	Men      53.6%	Men      55.8%
	Women    40.1 %	Women    41.8%
	<b>(15-64)</b> <b>68.1%</b>	<b>(15-64)</b> <b>72.8%</b>
	Men      74.9 %	Men      80.1%
	Women    61.3%	Women    65.5%
	<i>Unemployment rate</i>	<i>Unemployment rate</i>
	<b>(15+)</b> <b>10.4%</b>	<b>(15+)</b> <b>8.7%</b>
	Men      9.8 %	Men      8.3%
	Women    11.1%	Women    9.3%
	<b>(15-29)</b> <b>21.5%</b>	<b>(15-29)</b> <b>16.3%</b>
Men      20.8 %	Men      15.8%	
Women    22.5%	Women    17.1%	
<b>(15-64)</b> <b>10.9%</b>	<b>(15-64)</b> <b>9.2%</b>	
Men      10.4%	Men      8.8 %	
Women    11.5 %	Women    9.8%	
<i>Share of vulnerable employment</i>	<i>Share of vulnerable employment</i>	
<b>(15+)</b> <b>24.3%</b>	<b>(15+)</b> <b>21.1%</b>	
<b>Source of verification</b>	Labour Force Survey, Statistical Office of the Republic of Serbia <sup>43</sup>	

41 Share of the self-employed without workers and contributing family workers in total employment (source: LFS)

42 Sources of projections: Study on the Position of Youth in Serbia, ETF (2020) and Ex-ante Analysis of the Employment Strategy of the RS 2021-2026, Institute of Economic Sciences (2020).

43 As a member of the European statistical system, the Statistical Office of the Republic of Serbia is required to follow the European legislation; hence, as of 1 January 2021, it will apply Regulation 2019/1700 of the European Parliament and of the Council of 10 October 2019 establishing a common framework for European statistics relating to persons and households, based on data at individual level collected from samples. Among other changes, this Regulation entails application of the new Labour Force Survey methodology. To ensure data comparability with the new methodology, the data already published will be revised, which should be borne in mind in the ex-post impact assessment of the Strategy using the baseline and target values of the specified effect, outcome and result indicators (expected changes in percentage points should be taken into account).

### ***Objective 1. Created growth of high-quality employment through cross-sectoral measures to enhance labour supply and demand***

Employment policy specifies the reform steps to be taken in order to successfully develop an efficient labour market in the Republic of Serbia in line with the country's other development goals and requirement of fast technological development. The achieved employment growth should be characterised by the quality, as well as decrease in social inequalities, which hinder economic growth and society's overall progress. Reforms cannot be implemented through piecemeal and isolated measures taken by different institutions; rather, they require consistent and coordinated action through cross-sectoral cooperation, i.e. measures in the spheres of education, tax, economic and regional development, social and other relevant policies, aimed at enhancing both labour supply and demand. This implies the integrated approach taken by the EU through the European Semester – an annual process to promote close coordination of economic and employment policies.

<b>Outcome indicator</b>	Registered employment (15+) Informal employment (15+) Employment by type of work (open-ended, fixed-term, seasonal and casual work) In-work at-risk-of-poverty rate <sup>44</sup>	
<b>Unit of measurement</b>	Number Percentage (%)	
<b>Baseline and target values</b>	<b>2019:</b>	<b>2026:</b> <sup>45</sup>
	<i>Registered employment</i>	<i>Registered employment</i>
	2,173,135	2,540,000 – 2,631,000
	<i>Informal employment</i>	<i>Informal employment</i>
	529,200	396,033
	<i>Employment by type of work:</i>	<i>Employment by type of work:</i>
	Open-ended 77.2%	Open-ended 76.9%
	Fixed-term 19.5%	Fixed-term 20.2%
	Seasonal and casual work 3.3%	Seasonal and casual work 2.9%
	<i>In-work at-risk-of-poverty rate</i>	<i>In-work at-risk-of-poverty rate</i>
9.2%	4.7%	
<b>Source of verification</b>	Statistical Office of the Republic of Serbia: Registered employment – Statistics of Employment and Earnings Labour Force Survey	

44 Proportion of people who are employed and whose equivalised disposable income is below the at-risk-of-poverty threshold, set at 60% of the median national equivalised disposable income, after social transfers (source: SILC).

45 Source of projections: Ex-ante Analysis of the Employment Strategy of the RS 2021–2026, Institute of Economic Sciences (2020).

## *Objective 2. Improved labour market position of the unemployed*

Differentiating the unemployed by level of needed support is of utmost importance in promoting their employment. For those unemployed who do not seek system support in searching for work on their own initiative, information must be made available about the services they may access within the system to improve their prospects in the job search. It is essential to reach out to those without the skills and knowledge in demand in the labour market or the required work experience, since, in their case, unassisted job search very often results in failure, accompanied by further discouragement and loss of motivation to search for work. The unemployed who seek employment support from the National Employment Service are offered counselling support, including an assessment of their employability from the aspect of labour market requirements, which allows determining the type and level of support that every person needs. People whose knowledge, skills and occupational profiles are in demand in the labour market are offered active job search measures to develop self-presentation skills and referred to employers offering vacancies. On the other hand, those whose skills and knowledge are insufficiently competitive in the labour market are offered more intensive support by referral to active labour market policy measures involving financial support to the jobseeker or employer. Thus, every individual can receive the type and level of support in line with the individual needs, and more intensive financial support can be targeted at those who need it most. In the interest of improving this individualised approach to unemployed jobseekers, it is essential to continuously improve counselling instruments and techniques, especially with regard to identifying individuals at risk of long-term unemployment, thus ensuring preventive action, having in mind that over 65% of the unemployed registered with the National Employment Service have been looking for work for over 12 months.

In referral to “financial” active labour market policy measures, priority is given to hard-to-employ categories, who are more likely to be in a disadvantaged position in the labour market, such as women, youth up to 30 years of age, in particular the NEET group, persons with disabilities, the Roma, people without secondary education attainment, as well as other smaller but – from the employment aspect – multiply vulnerable groups, such as financial social assistance recipients able to work, human trafficking victims, domestic violence victims, youth in institutional care, foster or guardian families, etc. Having in mind that hard-to-employ categories are defined fairly broadly, counselling work must ensure that “financial” active labour market policy measures involve only those members of these categories who need such support.

Designing evidence-based employment policy requires continuous monitoring of the labour market situation and developments through different data sources. At the same time, monitoring and evaluation of active labour market policy measures’ outcomes and impact are indispensable prerequisites for revisions/modifications of those measures to maximise their performance.

<b>Outcome indicator</b>	Long-term unemployment rate (15+) Gender pay gap by age groups (15+, 15-29) <sup>46</sup> NEET rate (15-29) The long-term unemployed placed from the NES register, as a proportion of the total long-term unemployed registered with the NES Employment effect of financial measures (on 180th day from measure completion/expiry of contractual obligation)	
<b>Unit of measurement</b>	Percentage (%)	
<b>Baseline and target values</b>	<b>2019:</b>	<b>2026:<sup>47</sup></b>
	<i>Long-term unemployment rate:</i>	<i>Long-term unemployment rate:</i>
	6.1%	1.9%
	<i>Gender pay gap</i>	<i>Gender pay gap</i>
	(15+) - 10.6% (15-29) - 5.4%	(15+) -8.7% (15-29) - 5.0%
	<i>NEET rate (15-29)</i>	<i>NEET rate (15-29)</i>
	18.9%	12.8%
	<i>The long-term unemployed placed from the NES register. as a proportion of the total long-term unemployed registered with the NES</i>	<i>The long-term unemployed placed from the NES register. as a proportion of the total long-term unemployed registered with the NES</i>
	23.1%	33%
	<b>Average 2016/2017/2018</b>	
<i>Employment effect of financial measures (on 180th day from measure completion/expiry of contractual obligation)</i>	<i>Employment effect of financial measures (on 180th day from measure completion/expiry of contractual obligation)<sup>48</sup></i>	
60%	75%	
<b>Source of verification</b>	Report, National Employment Service Labour Force Survey, Statistical Office of the Republic of Serbia Earning survey based on Tax Administration data, i.e. withholding tax returns (PPP-PD form)	

46 Pay gap is the difference in average hourly gross earnings between men and women, expressed as a percentage of men's average hourly gross earnings.

47 Source of projections: Ex-ante Analysis of the Employment Strategy of the RS 2021-2026, Institute of Economic Sciences (2020).

48 Source of projections - MoLEVSA calculation.



### Objective 3. Improved institutional framework for employment policy

An improved legal framework for employment policy implies that regulatory impact assessments, assessments of practical implementation and requirements for harmonisation with EU directives and other legislation serve as the basis for amending or adopting legislation to comprehensively regulate areas relevant to labour, employment, professional rehabilitation of persons with disabilities, social entrepreneurship etc. At the same time, it is necessary to strengthen the capacities of labour market actors, authorities responsible for national- and local-level employment policy making (Ministry of Labour, Employment, Veteran and Social Affairs and local self-governments), employment service providers etc., as well as to ensure a stable financial framework for employment policy.

Enhancing the capacities of employment service providers, primarily the National Employment Service, corresponds to the requirement to make the National Employment Service a modern public service capable of responding to changing labour market demands and employers' and unemployed people's needs, and raising the quality of the services provided.

It is essential to further develop and strengthen dialogue among employment policy stakeholders, i.e. broaden it to include all sectors and policies relevant to and having an impact on the labour market. In addition, a crucial role in improving the quality, efficiency and wide ownership of public policies could have a dialogue among institutional and non-institutional stakeholders, as a democratic tool conducive to transparency and active involvement of groups that are often excluded from public policy decision-making.

<b>Outcome indicator</b>	Negotiation chapter 19 - Social policy and employment Allocations for ALMP as a proportion of the GDP	
<b>Unit of measurement</b>	Percentage	
<b>Baseline and target values</b>	<b>2020:</b>	<b>2024:</b>
	<i>Negotiation Chapter 19 - Social policy and employment</i>	<i>Negotiation Chapter 19 - Social policy and employment</i>
	Moderate progress	EU membership requirements met*
		<b>2026:</b>
	Allocations for ALMP as a proportion of the GDP	Allocations for ALMP as a proportion of the GDP
	0.08%	0.2%
<b>Source of verification</b>	* Relevant documents from the EU accession negotiations process National Employment Service Financial Plan, RS Budget	



## VI ANALYSIS OF OPTIONS TO ACHIEVE THE GOAL AND OBJECTIVES

In order to achieve the goal and objectives, three different options have been assessed from the aspect of maximising the results, i.e. achieving the overall strategy goal to the greatest extent possible (effectiveness). The options considered are as follows:

- 1) **Status quo option – sectoral strategy.** This option envisages retaining the existing arrangements in the sphere of employment policy. The Ministry of Labour, Employment, Veteran and Social Affairs is the leading agency in charge of employment policy formulation and monitoring, while the National Employment Service is the leading agency in charge of employment policy implementation; active labour market policy measures are improved in the existing institutional framework; allocations for active labour market policy measures are gradually increased.
- 2) **Sectoral strategy with improved institutional framework.** The strategy would include amending the existing or enacting new legislation to comprehensively regulate areas relevant to labour, employment, vocational rehabilitation of persons with disabilities, social entrepreneurship etc. At the same time, this option would entail strengthening the capacities of labour market actors, authorities responsible for employment policy making, employment service providers etc.
- 3) **Cross-sectoral strategy – coordination of labour market policy with other sectoral policies.** This option entails the reform steps to be taken with a view to successful development of an efficient labour market in the Republic of Serbia in line with the country's other development goals. This option envisages all activities under option 2, accompanied by reform efforts in education, tax, economic and regional development, social and other relevant policies.

The multi-criteria analysis method has been applied to compare the options, using the following assessment criteria:

- 1) goal/objective achievement efficiency - assess the combination of time and costs, on the one hand, and the quality of the result achieved, on the other;
- 2) goal/objective achievement effectiveness - whether the right things are done, i.e. whether the application of a given option would lead to a satisfactory level of achievement of the set goals/objectives;
- 3) option implementation costs - the level of funds invested in achieving the set goals/objectives;
- 4) option implementation capacity - the material and human resources necessary for implementing the proposed options;
- 5) option sustainability - the extent to which the option contributes to solving the identified labour markets problems and, consequently, to the Republic of Serbia's growth and development.

Table 13. Comparison of the options by specified criteria

Criteria	Option title		
	1. Status quo - sectoral strategy	2. Sectoral strategy with improved institutional framework	3. Cross-sectoral strategy
<b>Goal/objective achievement efficiency</b>	1	3	5
<b>Goal/objective achievement effectiveness</b>	1	2	5
<b>Option implementation costs</b>	5	2	1
<b>Option implementation capacity</b>	5	3	2
<b>Option sustainability</b>	1	4	5
<b>Rating</b>	<b>13</b>	<b>14</b>	<b>18</b>

When the ratings are added up (1-5 rating scale, with 5 as the highest rating), **option 3: Cross-sectoral strategy is ranked highest**, as the most efficient, effective and sustainable. The criteria according to which this option is ranked lower than the other two are its implementation costs and the capacities required for it. Given its efficiency, effectiveness and sustainability, as well as the fact that enhanced capacities are an important resource for future employment policy efforts, the benefits of pursuing this option are assessed as exceeding its costs.



## VII MEASURES FOR ACHIEVING THE OBJECTIVES

*Objective 1. Created growth of high-quality employment through cross-sectoral measures to enhance labour supply and demand*

*Measure 1.1. Improve the conditions for the development of a high-quality labour force*

Education policy framework is aimed at developing a competitive labour force. Despite the fact that primary education is compulsory, the coverage of children remains incomplete<sup>49</sup>. In order to achieve that education system is accessible, equitable and open, the priority is to establish new and improve the existing support mechanisms, with emphasis on the specific characteristics of different vulnerable groups (students from low socio-economic status families, children with disabilities, Roma population, especially Roma girls). Special attention will be given to enhancing school staff sensitivity and competences for identifying students from vulnerable groups. In that regard, the ministry in charge of education affairs will work on early school leaving prevention in the coming period.

The mismatch between qualification profiles and supply, on the one hand, and labour market needs, on the other, has been a long-standing system-wide problem in the Republic of Serbia. The overall development of vocational secondary education will be continued in the coming period. Qualification profiles not based on qualification standards are being excluded from the secondary enrolment plan and replaced by those with qualification standards and mod-

<sup>49</sup> In 2018, the primary education coverage rate stood at 97%.

ernised curricula. Competency acquisition, enhancement and development in line with labour market needs are also ensured by dual education – a vocational secondary education model involving theoretical instruction and practical exercises in schools and work-based learning in companies. Special focus will be on developing market-relevant dual programmes in order to promote the revival of domestic companies, attracting foreign investments (companies), and conducting studies for the purpose of developing dual qualification profiles for industry 4.0 in secondary and tertiary education.

In recent years, in order to modernise instruction at all education levels, subjects aimed at digital literacy enhancement have been introduced, as well as subjects aimed at developing entrepreneurship and entrepreneurial spirit/skill as a key competence.

In the era of digitisation and accelerated technical and technological development, labour market participants should be equipped with the required knowledge, skills and competences to respond to changing labour market requirements, and empowered for life-long career management, given that, as a result of labour market changes, an individual will face different forms of transition in his/her working life, not only in terms of changing positions or employers, but also his/her occupation.

Hence, in view of the nature of the career guidance and counselling (CGC) concept as a system of services to assist young people in choosing the right education pathway from the aspect of the occupation they wish to pursue, and to help adults manage their careers, it is essential to further develop this concept in the coming period and ensure its availability to the widest range of citizens. Crucial for CGC development is the implementation of the Rulebook on Career Guidance and Counselling Service Standards, adopted in 2019 by the Ministry of Education, Science and Technological Development, and the Recommendation for the Fulfilment of the Career Guidance and Counselling Service Standard Implementation Plan, adopted by the Republic of Serbia National Qualifications Framework Council. CGC standards are relevant to the establishment of a single CGC quality system; it is, therefore, essential to facilitate their implementation by all CGC service providers through organising information sessions, training events etc., both for school CGC team members and for National Employment Service and employment agencies' staff providing CGC and employment counselling services. In addition, in the coming period, it is necessary to strengthen the role and capacities of civil society organisations involved in CGC that are capable of serving a large number of clients, especially those who are not likely to seek support from institutions within the system, to ensure they attain the required standards for high-quality CGC service provision.

At the same time, further development of the National Standard Classification of Occupations, through the adoption of the Occupation Standards Development Methodology, setting standards for as many occupations as possible and establishing a registry of occupation standards, will allow monitoring labour market changes and obtaining information on occupations in high demand, which is essential for matching the formal and non-formal education systems with the labour market needs. The Occupation Standards Development Methodology will specify the elements of occupation standards and their meanings, instructions for developing them, and occupation standard development processes. The purpose of setting occupation standards is to provide the fullest and clearest information possible about the tasks included within an occupation, main competencies needed, means used for working, place of work, usual working hours, presence of any specific risks in performing occupation-specific tasks and other information to ensure the occupation is recognisable by all labour market actors and used unambiguously, thus facilitating communication and information sharing within the labour market, education and training system, and society in general. The development of occupation standards will also facilitate the creation of market-relevant qualification standards as the basis for developing high-quality education and training curricula to enable individuals

to gain competencies, knowledge and skills relevant to an occupation or multiple occupations. Recognisable content of an occupation formulated as a standard is a prerequisite for job matching activities between employers with vacancies and potential job candidates, as well as for human resources planning and development.

Given the existing skills mismatch in the labour market, substantial investments in adult education and promotion of the life-long learning concept are needed. In the sphere of non-formal education, the training system will be developed further by developing a network of non-formal education service providers (NFESP) and improving the standards and procedure for attaining the NFESP status so as to increase the number thereof, with the aim of expanding access to verified adult education activities for people interested to pursue adult education. Better access to NFESP in terms of increased number of different training programmes offered is crucial for the delivery of labour market training programmes for the unemployed registered with the National Employment Service, having in mind that the quality of training, knowledge, skills and competences gained through training or the qualifications attained through non-formal education have a direct impact on employment prospects. Further, regional training centres will be established within vocational secondary schools to support both formal dual and non-formal education through training courses, vocational training, further training and retraining in line with emerging labour market needs. To ensure the quality of working with adults, regional training centres will be included in the NFESP system.

As part of further development of the Republic of Serbia National Qualifications Framework, a prior learning recognition (PLR) system will be developed in conformity with the bylaw governing PLR standards and the modality of conducting the PLR procedure, which will enable the formal recognition of the knowledge and skills gained outside the education system through the award of a (publicly recognised) document; such knowledge and skills will thus become recognisable in the labour market, which will improve employment prospects, and individuals' position vis-a-vis employers will be more secure and advantageous. Intensive cooperation between the two systems - education and employment, as well as the relevant institutions, in particular the National Employment Service and schools, is crucial for PLR implementation. Almost one third of the unemployed registered with the National Employment Service did not finish secondary education level; many of them have long-standing work experience and may be candidates for the PLR procedure.

The implementation of this measure will be aided by the National Employment Service, which makes CGC services available to both youth and adults through vocational guidance, career counselling and employment counselling services. In addition, unemployed people's participation in further education and training measures has a direct impact on matching labour market supply and demand.

**Type of measure: regulatory**

### ***Measure 1.2. Make work pay and enhance job quality***

To activate the population in the labour market, it is necessary to undertake tax policy reforms in order to make work pay. In the Republic of Serbia, there is almost no difference in the effective burden of taxes and contributions on labour between high- and low-wage sectors, or sectors with high and low average labour costs. Extremely high tax burden in low-wage industries reflects the proportional labour taxation system (constant tax rate, irrespective of the wage level), whose structure is dominated by compulsory social insurance contributions. This sys-



tem reduces the competitiveness of labour-intensive industries and discourages investments in them, which affects widening regional disparities and also makes low-wage formal work economically unattractive, thus promoting informal employment and inactivity. Although the total tax wedge has been reduced in recent years by raising the non-taxable portion of wages and lowering the compulsory social insurance contribution rates, it remains disproportionately high for low wage earners and thus presents a barrier for work formalisation.

For many years in the past, employment has been supported in the Republic of Serbia through fiscal policy measures, i.e. tax incentives. Employment incentives are governed by regulations on individual income tax and compulsory social insurance contributions. In this domain, the tax policy should recognise and be more open to different vulnerable groups in the labour market, especially those targeted by additional efforts in the form of activation measures. In coordination between the relevant ministries (responsible for finance, economy and employment), it is necessary to specify clear criteria for receiving the incentives, plan the funds and set the criteria for proposing the unemployed groups to be given priority, to ensure that they are conducive to both economic development and employment policy. It is also essential to strengthen control mechanisms by using impact assessment findings as an input for more careful selection of the unemployed groups to be targeted by tax incentives for employment.

From the aspect of job security, as a result of a steady rise in the share of temporary employment in the past decade, in 2019 almost one out of four workers in the Republic of Serbia had a temporary job (about 23% were employed on a fixed-term basis or engaged on a non-labour contract), which was about 10 percentage points above the EU-28 average (Eurostat). Temporary employment forms are aimed at work flexibility with the aim of reconciling different commitments and making work-life balance. This is, indeed, the case in the EU, where only one out of thirteen people work on a temporary contract because they are not able to find work with an open-ended contract. However, temporary work is usually not a choice, but rather a necessity owing to lack of a better offer, i.e. an open-ended contract. One out of five temporarily employed workers in the Republic of Serbia accept this work modality because they have not been able to find work with an open-ended contract. The situation is similar with regard to part-time employment, as about 37% of those employed on a part-time basis do these jobs only because they have not been able to find full-time work. For comparison purposes, the average share of these workers in the EU Member States stands at 24%.

It is necessary to review the legislation and the implementation of the legal institutions that support growth of precarious employment, characterised by limited-term contracts such as service contract, casual work contract, work through student or youth cooperatives, temporary agency work. This practice is present in both public and private sectors and requires additional efforts to ensure that different contract modalities are used in conformity with the legal framework, which foresees that these contract modalities are used in specific situations with limited duration.

Further, combating undeclared work, reducing occupational injuries and ensuring the protection of employed and engaged persons under the labour law are the Labour Inspectorate's priority activities geared towards building a modern labour inspectorate system compliant with the EU standards, i.e. modernisation of its operation and ongoing strengthening of staff capacities.

**Type of measure: regulatory**



### ***Measure 1.3. Stimulate job creation***

Direct investment support measures have a high impact both on the employment level and on its breakdown by sectors, qualifications and regions. Direct investment promotion policy has been implemented in the Republic of Serbia for over 15 years. From the aspect of job creation profile by sectors, almost 80% of investments have been made in manufacturing industries. These are typical labour-intensive activities with below-average wages. While this is not a desirable development from the aspect of creating value added and the potential role of foreign direct investments as a driver of Serbia's economic modernisation, these outcomes are not undesirable from the aspect of employment growth and reducing regional disparities.

Investment promotion measures are a form of support for economic development and private sector employment, and investors remain free to choose workers, regardless of whether they are registered as unemployed or not, whether they have quit another job to take up a new one, or whether they are members of a vulnerable groups. Revising the existing methods for the award of incentives, including prioritization of hard-to-employ categories by specifying a required share of these groups in the total number of workers employed through incentives/direct investment, or by granting higher incentives to investors for hiring hard-to-employ persons from the NES register, has been identified as an area where cooperation with the economy sector needs to be enhanced.

The Industrial Policy Strategy foresees transformation from an economy whose growth was fuelled by investments in labour-intensive industries to an economy whose rapid growth is driven by innovations, creativity and knowledge. Stimulating the development of knowledge-intensive industries competitive in terms of value added will contribute to more productive and higher-quality employment; moreover, digital transformation and automation requirements imply that the unemployed, as well as the employed, must be equipped with a set of "soft" and digital skills crucial to modern business. In the coming period, further education and training measures delivered by the National Employment Service will be continued with a view to improving the competencies, knowledge and skills of the unemployed, with priority given to the measures and activities implemented in cooperation with NFESPs. In the short term, through non-formal adult education, these efforts will, to a certain extent, respond to the needs of investors, who increasingly face difficulties in finding new workers. In addition, this cooperation would enable the employment sector to align the usage of funding for active labour market policy measures with direct investment promotion efforts in order to prepare the labour force in line with investors' needs, with the provision that individuals receive (publicly recognised) documents to enhance their labour market and education mobility.

In the coming period, the ministry responsible for economy affairs, the Republic of Serbia Development Fund and other institutions will continue providing support to start-ups, as well as support for the growth and development of already launched businesses by micro, small and medium-sized enterprises and entrepreneurs. Support for entrepreneurship is an area where a higher level of cooperation is needed between the Development Agency of Serbia and the National Employment Service. More specifically, the Development Agency of Serbia implements a comprehensive set of programmes for support to micro, small and medium-sized enterprises and entrepreneurs, consisting of financial and technical/educational measures, while, on the other hand, active labour market policy measures implemented by the National Employment Service (NES) include self-employment subsidies to the unemployed. This measure includes the provision of technical support, i.e. entrepreneurship development training and mentoring services. It is essential to establish a cooperation mechanism between these two institutions and enable individuals who plan to start or have already started their own businesses with

NES subsidies to benefit from technical/educational services of the Development Agency of Serbia, which specialises in this area. This would contribute to better selection of prospective candidates for starting their own businesses, and also provide additional support to newly established businesses, which would greatly benefit from continuous mentoring, especially in the areas of marketing, tax and finance system, as well as information about other funding sources in the initial years of operation, which are crucial for survival and sustaining employment.

It is also necessary to recognise the labour market relevance of digital work, recognizing that it has recorded rapid growth in volume and income levels in the past five years or longer. As a very heterogeneous category, telemigrant jobs include a wide range of jobs, from highly paid formalised self-employment to sporadic freelance jobs. If telemigration is confined to platform work or gigs, it has its limitations in terms of quality and insecurity of labour rights.

Probably the best way for the Republic of Serbia to stay at the top of the global telemigrant workforce list would be to provide support to the early exposure of Serbian full-time student population aged 18-24 to global web platforms and labour markets. In an ideal scenario, telemigrant jobs would remain relatively numerous, as early exposure could significantly improve the activity and employment rates of the age groups 15-19 and 20-24, presented above, while beyond the age of 25 their quality would be more consistent, with high earnings.<sup>50</sup>

Although the need for circular economy has been under discussion in recent years, the Republic of Serbia lacks capacities to reuse and process several streams of recyclable materials, which are necessary for the shift from linear to circular economy. In order to reuse a majority of the 12 million tonnes of waste generated annually in the Republic of Serbia as a resource through circular economy, it is essential to establish better sectoral links with authorities responsible for environmental protection, agriculture, energy and more consistently implement laws in these areas, along with making substantial investments in processing capacities and performing inspections at the national and local levels.

The Republic of Serbia still lacks a nationally agreed definition of green jobs, which should be adopted as soon as possible in accordance with the UNEP<sup>51</sup>/ILO definition, in order to encourage green job creation and statistical monitoring of their number. According to this definition, green jobs include work in agriculture, manufacturing, research and development, administration and services that considerably contribute to preserving or restoring the quality of the environment. It should be noted that green jobs must meet decent work criteria, i.e. workers doing these jobs must have access to health and social insurance, have adequate training and equipment, and work in safe and healthy conditions; therefore, additional efforts should be made to transform “factual work” (undeclared work) in the waste management sector into green jobs, thus contributing to overall employment growth.

**Type of measure: regulatory**

50 Study on the Position of Youth in Serbia, ETF (2020).

51 United Nations Environment Programme.

### ***Measure 1.4. Integration of social protection beneficiaries into the labour market***

The measure should contribute to labour market inclusion of social protection beneficiaries able to work, whose employment, as an important step in the social integration process, cannot be addressed independently of their complex life situation. From these individuals' perspective, employment is a prerequisite for integration into society, while, from society's perspective, their activation and employment are a response to the needs of a dynamic labour market manifested in the need to increase the active population/labour force.

The employment of financial social assistance (FSA) recipients able to work has been high on policymakers' agenda for some time, since substantial national budget funds are allocated for FSA, while, on the other hand, the Serbian labour market increasingly faces labour force shortages. For this reason, the practice of joint activities of social protection and employment institutions was introduced in 2015; as part of formalised cooperation, pursuant to signed cooperation protocols, centres for social work and the National Employment Service deliver integrated services as an innovative service provision modality for FSA recipients able to work with the aim of employment that would lead to sustainable and durable social inclusion. Integrated services should be developed further; however, at the same time, the financial social assistance system should be reformed through review the FSA amount, which is currently at a level that covers bare survival, and should be at a level that would allow FSA recipients to invest in personal development, especially their children's education and development; in the long term, this would contribute both to reducing the number of transgenerational FSA recipients, whose social inclusion is the greatest challenge, and to improving Serbia's labour force quality.

A prerequisite for further development of integrated services with a real potential for efficiency is a radical shift in the overall approach to the issue of empowering vulnerable groups, whereby social and development policies would focus on the concept of social investment. In the European Commission's interpretation, this approach is based on policies designed to strengthen people's knowledge, skills and capacities and support their full participation in employment and social life. Such a radical shift would be reflected in system-wide solutions by, for instance, ensuring that some social protection entitlements are not reduced or entirely terminated upon entry into employment (i.e. they would be retained for a specified period) or upon entry into active labour market policy measures. If a person in complex life circumstances resulting in long-term absence from the labour market is compelled to forgo the relative security offered by the social protection system and embark on an uncertain path towards labour market integration, no significant results can be achieved, regardless of all the support efforts made by both systems – employment and social protection.

Further, integrated services should be developed so as to expand the target group and include all social protection beneficiaries able to work, in addition to the already included FSA recipients able to work. Young people – children without parental care, i.e. unemployed young people formerly living in residential care institutions, foster or guardian families, domestic violence victims, human trafficking victims, returnees under readmission agreements, persons

with disabilities, former criminal offenders etc. are groups whose activation should be the joint effort of the two systems – social protection and employment, with coordinated activities and a joint approach to addressing the situation of each individual. The existing arrangements should be rounded off by ensuring that common clients are also identified at National Employment Service branch offices, rather than only at centres for social work, and by involving other relevant stakeholders in integrated service provision, e.g. civil society organisations with good access to specific multiply vulnerable categories and experience in implementing specific integrated service models, education and health institutions where services within their mandates are concerned, and local self-governments, which should prioritise problems of their socially excluded citizens.

**Type of measure: incentive**

### ***Measure 1.5. Strengthening local employment policy***

The employment policy should contribute to achieving economic development goals by implementing measures that constitute high-quality local-level response to local labour market challenges, needs and opportunities.

Since the Law on Employment and Unemployment Insurance provided grounds for employment policy decentralisation, more and more local self-governments have demonstrated interest in this area and readiness to actively engage in improving the local labour market situation. Local employment councils are gradually assuming the key role in identifying measures relevant to improving local labour market situation and developments; this is accompanied by increased local self-government budget allocations for the implementation of active labour market policy measures.

Employment policy decentralisation remains a priority in the forthcoming period, given the multifaceted role of this segment of employment policy. The concept of decentralisation will be additionally promoted, along with the involvement of all relevant stakeholders in the planning processes, and the development and implementation of local employment planning documents will be supported (including additional efforts to engage those local self-governments that have not demonstrated interest and motivation so far). Further, action will be taken to address deficiencies identified in local employment planning documents to ensure that active labour market policy measures correspond to the identified local labour market challenges to a greater extent and respond to the needs of the hard-to-employ categories on the National Employment Service unemployment register. This process will be accompanied by different modalities of strengthening the capacities of local self-government and local employment council members, as well as sharing experiences, good practices and lessons learned, given their importance for improving local employment policy.

The targeting of active labour market policy measures and priority co-funding of local employment planning documents of local self-governments in underdeveloped areas should be reviewed further, having in mind that the most recent Decree on Establishing the Single List of Regions and Local Self-Governments by Development Levels dates from 2014. It is, therefore, necessary to take into consideration the most recent available data for creating the local self-government development index in order to adopt a new decree in accordance with the

methodology for creating the regions' and local self-governments' development levels. This will ensure more precise targeting of underdeveloped local self-governments and devastated areas by support in the form of co-funding local employment planning documents.

Having in mind that unemployment is a significant factor of at risk poverty at the individual and family level, and that risk intensifies in correlation with other factors – personal, family and environmental, the mapping of vulnerable groups in a given territory must be followed by designing measures that are individualised, i.e. tailored to the needs of members of those vulnerable groups.

In order to further improve local employment policies and develop a cross-sectoral approach in work with the unemployed, solutions that promote partnership, cooperation and innovativeness will be supported. Lessons learned will be used to work on establishing the institutional framework and securing funding from the Republic of Serbia budget to implement innovative solutions in the area of local employment policy.

**Type of measure: incentive**

## ***Objective 2. Improved labour market position of the unemployed***

### ***Measure 2.1. Implementation of active labour market policy measures***

Active labour market policy measures are specified by the Law on Employment and Unemployment Insurance, Law on Vocational Rehabilitation and Employment of Persons with Disabilities and the Action Plan.

Active labour market policy measures, as activities aimed towards enhancing employability and employment, primarily affect the labour market supply side.

*Job matching* refers to the activities of matching jobseekers with employers that report needs for new staff, with the aim of entry into an employment relationship or other form of engagement. In the interest of successful matching, a range of activities targeting jobseekers and employers are performed. *Employment counselling* involves assessing a jobseeker's employability, i.e. his/her professional capacities and inclinations, with the aim of assessing the level of support needed in seeking work. The types of support agreed between the jobseeker and employment counsellor and occupations to be considered in the job search are specified in the individual employment plan. On the other hand, employers are informed about the profile of jobseekers registered with the National Employment Service and advised of the possibilities and modalities of meeting their staffing needs, including the possibility of participating in active labour market policy measures. The National Employment Service provides all of its services to employers free of charge, which is especially important with regard to job matching services, since the employer does not need to deploy its own resources or pay for this service in the open market. By improving the quality of its job matching services, the National Employ-



ment Service will increase its visibility among those employers that are oriented towards finding the right candidates, rather than solely towards accessing funding, while the unemployed will be offered opportunities to find high-quality jobs.

*Professional guidance and career counselling* are delivered through information provision and counselling regarding career development opportunities, in order to prevent wrong choices of educational pathways or occupations, as well as strengthening clients' competencies for making effective decisions throughout their professional careers. These services are provided in person at the National Employment Service branch offices, in career guidance and counselling centres, and via the National Employment Service website.

Beside job matching, professional guidance and career counselling, which are active labour market policy measures implemented on an ongoing basis by National Employment Service staff, other measures may be grouped as follows:

*Active job search measures*, such as active job search training, training delivered in job clubs, self-efficacy training etc. are forms of group work with jobseekers aimed at informing them about the local labour market situation and strengthening their self-presentation skills in contacts with employers. These measures also involve motivating jobseekers and enhancing their competencies for active job search.

*Further education and training measures* are organised to provide individuals with the requisite knowledge, skills and work experience to improve their prospects of finding or keeping a job.

Some measures, such as the professional traineeship or internship programmes, are aimed at individuals with at least secondary education attainment without work experience, and are organised with the aim of vocational training for unassisted occupation-specific work for which participants have received adequate formal education, and/or completing an internship period required for taking the professional examination, where this is stipulated by a law or a rulebook as a requirement for practising an occupation.

The programme for acquiring practical knowledge involves gaining practical knowledge and skills through the performance of concrete tasks at an employer, and primarily targets individuals without secondary education attainment or the long-term unemployed.

Labour market training and training at employer's request is organised with a view to enhancing unemployed individuals' competences and employability by gaining additional knowledge and skills.

Employee training at employer's request is organised in cases where employees need additional knowledge and skills to perform jobs and tasks in order to retain their jobs with that employer.

*Subsidised employment and self-employment* includes two measures:

- 1) one-off financial incentive for private-sector employers to hire hard-to-employ unemployed persons or a monthly wage subsidy to hire an unemployed person with disability without work experience;
- 2) entrepreneurship support, involving technical assistance and a one-off subsidy for unemployed persons to start their own businesses.

*Public works* are organised with the aim of engagement of hard-to-employ and socially disadvantaged unemployed persons in order to preserve and improve their working capabilities, as well as in pursuit of a specific social interest. Public works target the unemployed with multiple employment difficulty factors and are implemented in specific areas, in underdeveloped regions, with an insufficient offer of vacancies.

**Type of measure: incentive**

### ***Measure 2.2. Improve implementation and design of new active labour market policy measures***

Ongoing strengthening of National Employment Service employment counsellors' capacities and modernisation of the instruments used in counselling work is one aspect of this measure. Jobseekers' employability assessment allows assessing their qualifications, knowledge, skills, work experience and job search motivation against labour market requirements and deciding whether they are ready to seek work immediately and be referred to employers, with possible support in the form of active job search measures, or need more intensive support through participation in active labour market policy measures involving financial support for the person or the employer. Thus, every person can receive the type of support in line with his/her individual needs, and more intensive financial support can be targeted at those who need it most. Absence of interventions of this type would create additional risks, both to employers and to the unemployed (unchanged status after completion of the measure), and also to the Republic of Serbia budget (wasting scarce resources on people who would find jobs even without active labour market policy measures). It is, therefore, essential to improve the jobseeker employability assessment instrument so as to ensure that the National Employment Service statistical data are used to identify people at risk of long-term unemployment and prevent it. Indeed, long-term unemployment is the common denominator of different hard-to-employ categories; unless they are provided with timely employment support, people slip into long-term unemployment very easily, which further hinders their employment prospects as their knowledge and skills become outdated and job search motivation declines.

Cooperation with employers is another important aspect affecting the quality of active labour market policy measures implemented, since employers are not only direct beneficiaries of some measures, but also an important source of data on labour market needs, which inform employment activities, and a source of data relevant to developing occupation standards and market-relevant qualification standards and curricula based on them. Developed cooperation with employers contributes to the successful delivery of all measures and services, from referring candidates to employers with open vacancies, to measures involving financial incentives for employers to hire hard-to-employ persons, to labour market training organised on

the basis of information from employers on high-demand occupations. This implies the need to shift the National Employment Service capacities towards working with employers, in order to create space for more intensive communication and ensure timely response to their needs.

Many people participate in active job search measures, since even those with adequate vocational skills and knowledge levels need to learn how to “sell” those skills in the market. For this reason, it is important to design different modalities of these measures (in terms of duration, contents, delivery modality – in person or online) in line with the needs of specific unemployed categories. The contents of these training courses should be updated in line with market requirements in terms of modalities of application and presentation to employers.

The current National Employment Service IT capacities provide a solid basis for the digitisation of specific services, and the COVID-19 situation has only made it clearer that efforts in this respect should be supported. The purpose of digitisation is to make NES services more accessible to readily employable persons and thus further encourage their activity, while at the same time allowing the National Employment Service to focus its in-person service provision capacities on hard-to-employ persons in need of intensive support. Service digitisation should, therefore, be approached carefully, taking account of the categories targeted by virtual services, to avoid further aggravating the passivity of hard-to-employ persons. Job fairs, active job search training and entrepreneurship training are only some of the services that can be digitised, taking account of the target group. In addition, digitising individual employment plans would contribute to activating the unemployed, who would be able to refer to the agreed measures and activities at any time and initiate changes, but this should not substitute individual interviews with employment counsellors, especially when it comes to hard-to-employ persons.

Given the unfavourable educational profile of the unemployed registered with the National Employment Service, specifically the fact that a third of them do not have secondary education attainment and that many unemployed, mainly youth, are without work experience, further education and training measures need to be improved on an ongoing basis. To improve the qualification structure of unemployed in the forthcoming period special attention should be given to the full implementation of functional adult primary education (FAPE), especially having in mind the high proportion of the unemployed without primary education attainment. In cooperation with the ministry responsible for employment services and schools delivering adult primary education (according to the FAPE model), it is necessary to systematically promote FAPE, motivate the unemployed to engage in it, and then offer them opportunities for training in specific occupations through either national or local employment policy.

To maximise the employment effect of labour market training, it is necessary, on the one hand, to improve the participant selection process and, on the other, to conduct an employer survey to ensure that the Labour Market Training Catalogue accurately reflects the occupations in demand, i.e. that it identifies the labour market demand for knowledge and skills. In addition, introducing a training voucher system would increase access to training for the unemployed, who would be able to undertake training when they need it, and not when it becomes available after the annual public procurement procedure. A prerequisite for introducing a voucher system and for further improving the labour market training programmes is strengthening the NFESP system, including the availability of more NFESPs with more approved training programmes available across the Republic of Serbia. In addition to improved access, this would also ensure the required training quality level, which would be reflected in better employment effect. For the unemployed who are not able to find work without pertinent work experience, opportunities to gain such experience need to be provided through different apprenticeship

arrangements. In addition to the professional traineeship and internship programmes, which have been delivered for years as active labour market policy measures, it is also necessary to regulate work practice (which may or may not be directly linked to participants' prior formal education). There is considerable interest in and need for such measures, especially among youth, since they contribute to employability enhancement and transition to the labour market through gaining work experience and developing general and specific competencies that can only be acquired and enhanced in a work environment.

Public works, which mainly entail engagement in simple work of limited duration, are predominantly a measure aimed at the social inclusion of those who have no access to the labour market. In addition to a stronger focus on socially disadvantaged persons, this measure should be developed with a view to strengthening its employability impact; a way to achieve this is to introduce training for beneficiaries as a compulsory component of public works, with the proviso that, as the NFESP network and programmes develop in the coming period, priority is given to the delivery of approved training programmes.

Subsidies for the employment of hard-to-employ persons should also prioritise those hardest to employ, and should be viewed as a labour market mobility promotion instrument, where the subsidy would be awarded to people relocating to take up a job with an employer unable to meet staffing needs in the local labour market.

A more durable solution for lifting members of the most vulnerable groups, including the long-term and very long-term unemployed, out of the spiral of low-wage and insecure, sometimes also subsidised jobs and extended unemployment periods, requires supporting them with a wide range of successive or concurrent services and measures over a longer period. This would entail increased investments in active labour market policy – both in financial measures and in increasing the number of employment counsellors at the National Employment Service, enhancing their professional competencies and raising the quality of counselling services.

Referring the unemployed wishing to start their own businesses to the set of entrepreneurship support services/measures (training titled "How to Become a Successful Entrepreneur", mentoring, specialised training, self-employment subsidies) has proved to be effective in recent years. However, after the completion of the measure, i.e. after starting their own businesses, the beneficiaries of this support scheme often remain vulnerable and their survival in the market is at risk. To mitigate these risks, the existing self-employment support scheme needs to be strengthened by corrective mechanisms with focus on improving the overall set of services, from training, business plan development, award of the self-employment subsidy, to ongoing mentoring. Mentoring support is especially important for members of vulnerable groups who have started their own businesses, and it is especially important to support their associations and joint efforts. Opportunities for individuals who have started their own businesses with support to share their experiences would help provide more detailed information to future entrepreneurs and strengthen them further. Digitisation of specific parts of the set of services (e.g. online training, online mentoring) and business plan quality assessment with a view to ensuring the sustainability of newly launched businesses offers additional scope for innovation in this segment.

In the forthcoming period, efforts will be made to reach people not registered with the National Employment Service (outreach activities) who are not able to integrate in the labour market without institutional support. These people are not sufficiently aware of the advantages of in-

stitutional support, but are very often discouraged as a result of past unsuccessful attempts to find employment. Employment caravans are a service provided by the National Employment Service in recent years that has demonstrated potential for further development. Involving civil society organisations in outreach and motivating multiply vulnerable groups to register as unemployed would improve the implementation of this measure, as civil society organisations have better access to members of these groups and daily contact with them.

**Type of measure: regulatory**

### ***Measure 2.3. Improvement of monitoring labour market situation and trends and the system for monitoring/evaluation of active labour market policy measures' outcomes and impact***

Monitoring labour market situation at the national and local levels in order to identify trends and anticipate employers' needs is a prerequisite for designing active labour market policy measures to respond to those needs and for raising the operational efficiency and effectiveness of employment service providers. Establishing a single labour market information system that would unify data from different sources and enable a clear insight into the methodologies of collecting those data, as a prerequisite for their consistent interpretation and use, is an imperative of evidence-based policymaking. This includes consolidating the available sources of information on open vacancies (National Employment Service vacancies database, employment agencies etc.), which would enable a considerably clearer insight into the labour market situation, better planning of active labour market policy measures, improved support to job-seekers, as well as targeting systematic support at employers that demonstrate job creation capacity.

At the same time, attaining high performance of active labour market policy measures requires ongoing monitoring and evaluation of their outcomes and impact as the basis for design/revision/modification.

Monitoring is an instrument to verify results against expectations, i.e. to assess the change effected against the planned expenditures and/or against the planned number of participants, and is performed through regular and systematic collection and processing of quantitative and qualitative indicators. The data collected in the monitoring process are inputs for all further interventions in terms of selection and design of measures.

The evaluation of outcomes or "gross effects" assesses the extent to which an intervention affected its participants, i.e. the extent to which change was effected in their labour market status within a given timeframe after participation in an active labour market policy measure.

On the other hand, the evaluation of impact or "net effects" concerns long-term effects and value added, i.e. assesses whether and to what extent changes in labour market outcomes would have happened if the active labour market policy measure had not been implemented. Impact evaluation is very demanding in terms of time and evaluators' expertise, but is crucial for policymakers in the process of long-term planning.

Given the importance of this area, system-wide action will be taken in the forthcoming period to further develop an integrated system for monitoring and evaluation of active labour market policy measures. Improving the monitoring system entails improving the methodology and modality of reporting on the active labour market policy measures implemented and the funds spent. In addition, further development of local employment policy requires improving



the monitoring reports on the implementation of measures from local employment planning documents, in particular those measures implemented with local self-government funds and technical support of the National Employment Service, since monitoring these measures provides important inputs for improving active labour market policy measures at the national level.

As part of the planned amendments to regulations in the employment area, the rationale for the formal separation between the services provided to employers and the unemployed by the National Employment Service (job matching, active job search support, job fairs) and active labour market policy measures involving the financial incentive to the unemployed or employer will be reviewed. This is a prerequisite for the introduction of the Eurostat methodology for monitoring direct and indirect costs of services and active labour market policy measures, and also for further improvement of the data collection and analysis system and National Employment Service reporting arrangements.

**Type of measure: regulatory**

### ***Measure 2.4. Improvement of women's labour market position***

Despite the fact that women's position in the labour market has improved in recent years, which contributes to their economic independence, the gender gap (in terms of activity and employment) and gender pay gap (different earnings for work of equal value) persist. Ensuring the prerequisites for equal opportunities in accessing or returning to the labour market, including opportunities to acquire additional knowledge, skills, competencies and to retain a job or be promoted, are important for every individual, but value added is generated if these efforts are focused on unemployed women facing multiple employment difficulty or social deprivation factors. Women over 50 years of age who are laid off are particularly discouraged from seeking new jobs, while young women in the labour market often face problems in reconciling work and family life. Improving their labour market position requires providing systematic assistance in the form of integrated institutional approach by different systems, combined with designing additional support services/measures.

In previous years, public policy documents recognised the need to improve women's economic and labour market position. In particular, potential has been identified in the area of information and communication technologies (ICT). In addition to encouraging female students to pursue education and, subsequently, careers in this area, it is necessary to ensure women's participation in non-formal education in ICT. In that respect, in the coming period, women should be given priority in specialist IT training delivered as part of further education and training measures.

Given the substantial share of women – usually low-skilled – working as domestic workers for limited periods (a few days per month), it is essential to further elaborate legislation governing this form of work, thus creating the prerequisites for access to insurance-based entitlements, in conformity with the law.

Further, in view of the rising interest among women in starting their own businesses, in addition to intensifying the activities to promote women's entrepreneurship, entrepreneurship training programmes and self-employment subsidies, it is also necessary to ensure the provision of

ongoing mentoring support in the initial years of operation in the interest of long-term sustainability of the new businesses, and also provide other types of support, including the availability of different financing measures to promote further business development and growth.

In the process of implementing and monitoring measures, activities and interventions in the area of employment policy, a gender-sensitive approach will be applied and efforts will be made to achieve gender-balanced results, based on gender-disaggregated data. The gender-responsive budgeting principle (which has been implemented in the overall budget for active labour market policy measures and entails equal participation of unemployed women and men in the measures, including gender-balanced opportunities in the employment process) will continue to be followed.

**Type of measure: incentive**

***Measure 2.5. Improvement of the labour market position of youth***

Under the Law on Youth, this category includes persons aged 15 to 30. The position of youth has been improved in recent years to a certain extent; however, the key labour market indicators show that the youth activity problem persists. A partial explanation lies in extended participation in education, which is assessed as a positive development, since it facilitates school-to-work transition and ensures higher-quality employment after graduation. Yet, given that the reduction in the share of NEETs in total youth is primarily a result of the reduction in the share of active youth, there is clearly a need to develop an approach or model for reaching those young people who are passive, demotivated and refrain from seeking institutional support. However, even active youth need additional support in order for their activity to lead to employment, rather than slipping into passivity as a result of discouragement. The number of youth seeking work with support from the National Employment Service has decreased in recent years; however, the fact that almost one out of two youth registered with the National Employment Service have been looking for a job for over 12 months, and one out of three – for over 24 months is concerning and indicated the need for a more efficient system-wide intervention.

To address the barriers hindering youth's access to the labour market, it is essential to ensure cooperation between multiple sectors, since the causes of their lagging behind in the labour market are attributable to employment policy in the broader sense – labour market dualism, characterised by a rise in insecure and precarious jobs which, as a rule, represent discouraging “entry-level” jobs for youth; the education system; the social benefits system, which consistently places children and youth among the population segments at the highest risk of poverty; as well as the labour taxation system (including compulsory social insurance contributions), which is, in comparative terms, among the least progressive compared to other European countries, which significantly affects youth who, as a rule, earn less, and which does not include deductions for dependent family members. In view of these and other system-wide barriers to young people's better performance in the labour market, as well as the Republic of Serbia's commitment to further gradual reduction of the fiscal burden on labour, the efforts to reduce the fiscal burden in the coming years should focus on youth.

Lack of work experience is one of the most common barriers to youth employment. Youth, therefore, need to be offered opportunities for some contact with the labour market already during formal education; in addition, their entry into the labour market should be supported

by improving the regulatory framework for the work arrangements most commonly pursued by youth, introducing and formalising traineeships, as well as preventing the further misuse of non-labour contract modalities recognised by the Labour Law by engaging youth through such contracts in a manner inconsistent with their purpose and duration.

Youth entrepreneurship should also be approached in a system-wide manner, to minimise the probability of generating vulnerable employment and to ensure that starting own business becomes a realistic option for high-quality youth employment. A system-wide approach includes the availability of specialised entrepreneurship training programmes and strong mentoring support in the initial years of operation, as well as the availability of different sources of financial support. All system-wide interventions targeting youth should take into account the gender dimension; in the youth population, it is manifested in a wide gender gap between young men and young women, with women lagging significantly behind their male peers and benefiting less from the overall improvement of their age group's labour market position. Further, special attention should be given to youth without secondary education, since they fare worse than those with secondary and higher education, as shown by the breakdown of the unemployed registered with the National Employment Service, where the share of this group of youth in total youth is increasing, as they are absorbed by the labour market considerably more slowly.

The Youth Guarantee scheme implemented in EU Member States is an example of an intervention that approaches inactive and unemployed youth through cooperation among different sectors and social partners, including civil society organisations, in order to ensure labour market integration sustainable in the long term. To improve the labour market position of youth in the Republic of Serbia, in the coming period precise action will be taken to implement this scheme or specific parts thereof.

The Youth Guarantee provides that youth up to 25<sup>52</sup> years of age receive an offer of employment, continued education, an apprenticeship or traineeship within four months of entering unemployment or leaving formal education. This scheme requires a stable policy coordination system, especially among institution responsible for education, employment, social protection and youth policy, a governance mechanism to guide activities at the national and local levels, responsible institutions' commitment to implement the necessary structural reforms and, finally, significant human and financial resources. The largest portion of the burden of Youth Guarantee, in terms of its coordination, implementation and monitoring, lies on the ministry responsible for employment services and the National Employment Service. The Youth Guarantee requires making a high-quality offer to a young person within four months of entry into unemployment, which means that the National Employment Service needs to have at its disposal sufficient funds for active labour market policy measures to ensure that measures are available throughout the year, and/or a sufficient number of high-quality vacancies to which youth are to be referred.

With regard to the existing administrative capacities, the feasibility assessment of introducing Youth Guarantee in the Republic of Serbia<sup>53</sup> indicates that the relevant institutions – the ministry responsible for employment services and the National Employment Service – are not able to effectively manage such a complex youth employment framework. Therefore, the ILO recommends that organisational and administrative challenges affecting the capacities of both institutions should be tackled first, and that the intervention should subsequently be piloted in a maximum of three National Employment Service branch offices; however, the intervention should include only specific elements of Youth Guarantee, such as measures to reach and

52 Owing to the challenges due to the COVID-19 pandemic, Recommendation on A Bridge to Jobs – Reinforcing the Youth Guarantee foresees including youth up to 30 years of age.

53 Introducing Youth Guarantee in the Republic of Serbia, Feasibility Assessment, ILO (December 2020).

activate passive youth who are able and willing to work (outreach), which can be implemented in cooperation with civil society organizations. Youth who will be registered as unemployed under this scheme would be offered a job or participation in an active labour market policy measure by the National Employment Service. In addition, it would be useful to introduce an evidence-based profiling system for piloting purposes and adjust the monitoring framework to measure direct service delivery (programme entry and exit) and beneficiaries' situation after 6, 12 and 18 months. This piloting modality would also allow a more accurate estimate of the cost of introducing Youth Guarantee in its entirety.

In order for the Republic of Serbia to introduce this scheme, efforts will be made to put in place certain prerequisites by the expiry of the Strategy implementation timeframe, in particular higher financial allocations (in the RS budget and from other funding sources, as the Republic of Serbia currently has no access to the European Social Fund) and strengthening the capacities of the ministry responsible for employment services and the National Employment Service.

**Type of measure: regulatory**

### ***Measure 2.6. Improvement of labour market position of persons with disabilities***

Improvement of the overall social and economic position of persons with disabilities, i.e. their equal participation in social integration processes, depends on their labour market participation level and position. Although progress has been made in the overall assessment and improvement of persons with disabilities' labour market position in recent years (in particular by the passage of the Law on Vocational Rehabilitation and Employment of Persons with Disabilities), it is necessary to continue the efforts to ensure equal conditions for persons with disabilities to access and remain in the labour market (promoting employment in the open labour market, raising work and learning efficiency by combining different processes through inclusive learning and different support and assistance measures, establishing workplace preparation and support measures, especially with regard to persons with disabilities employed under special conditions, etc.). Essential prerequisites for the full effectiveness of the planned activities are an individualised approach to needs assessment, based on social criteria and focused on what a person with disability can offer in the labour market, and integrated service provision (as a result of intensified and enhanced cross-sectoral cooperation).

In parallel with improving the techniques for professional counselling work with unemployed persons with disabilities, it is essential to continuously evaluate and assess the alignment of available professional rehabilitation services and measures for persons with disabilities and support for employers (consultancy and incentives to create the conditions for the employment and retention of persons with disabilities) with labour market needs, in order to develop new affirmative measures for long-term support, accompanied by an appropriate financial framework.

An important prerequisite for monitoring and analysing the employment of persons with disabilities is the introduction of the requirement to enter the data on a person's status in the compulsory social insurance registration application, which will result in the establishment of the first database with number of persons with disabilities employed or engaged on a non-labour contract in the Republic of Serbia. This will facilitate a simpler and more meaningful way of monitoring the fulfilment of employment quotas for persons with disabilities under the Law on Professional Rehabilitation and Employment of Persons with Disabilities and provide additional inputs for planning measures to improve their labour market position. This will be made possible by amendments to the Decree on the content, form and method of filing the single application for compulsory social insurance registration, the single methodological principles and the common codebook for data entry in the integrated database of the central registry of compulsory social insurance (Official Gazette of RS, Nos 54/10, 124/12 and 119/13), which requires full cooperation between the ministry responsible for employment services, the ministry responsible for finance affairs and the Central Registry of Compulsory Social Insurance.

**Type of measure: regulatory**

### ***Measure 2.7. Improvement of labour market position of the unemployed Roma***

Despite some progress achieved in recent years with regard to the labour market position of the Roma, the causes of their employment difficulties needs to be continuously addressed through multiple systems' coordinated efforts in order to ultimately improve their extremely unfavourable socio-economic status.

Having in mind Roma population's particularly poor educational profile, it is essential to raise awareness of the importance of education and strengthen the efforts to prevent early school leaving in primary and secondary education, with focus on Roma girls, in order to improve their overall prospects of equal and active labour market inclusion. In recent years, the Roma accounted for more than half of all participants in adult literacy programmes, more widely known as "Second Chance". The FAPE programme, delivered through cooperation between the National Employment Service and education institutions, is aimed at improving the Roma population's education profile through three-year functional adult primary education. Further FAPE implementation and increasing the number of participants remain a priority in the forthcoming period. In addition, it is essential to continue referring the Roma to motivation and activation training to improve their motivation and competencies for active job search, as well as to refer them to other active labour market policy measures, in particular further education and training. Although the percentage of Roma participants in "financial" active labour market policy measures grew from 5.5% to 8.2% in the period of 2015-2019, efforts to increase their participation need to be continued, having in mind their employment difficulties caused by different factors. To ensure this, the Roma are recognised as a category to be given priority in active labour market policy measures. As before, the focus will be on promoting entrepreneurship through launching a dedicated call for applications for unemployed Roma persons willing to start their own business; it will be accompanied by additional mentoring support to increase the new businesses' survival prospects.



In cooperation with civil society organisations, in particular those recognised by the Roma population, efforts will be made to reach the Roma left out of the system – those that are not registered with the National Employment Service or those in the NEET group, in order to identify, register, activate and support them with the available active labour market policy measures. Those who are multiply vulnerable will be offered a package of measures in order to respond comprehensively to the multiple barriers faced by them.

**Type of measure: incentive**

### *Objective 3. Improved institutional framework for employment policy*

#### *Measure 3.1. Improvement of legal framework*

The employment policy system is regulated by a range of legislation in the areas of employment, professional rehabilitation and employment of persons with disabilities, labour and labour relations, and is closely linked to the regulations in the areas of education and adult education, social protection, tax and youth policies, etc.

In order to improve the Law on Employment and Unemployment Insurance to better respond to labour market needs, a comprehensive impact assessment will be undertaken; the rationale for the division of active labour market policy measures into services and measures in order to comply with the Eurostat methodology will be considered; the national standard classification of occupations will be regulated; the network of employment service providers will be regulated in more detail and expanded; the integrated service provision system will be regulated; local employment policy development and exercise of unemployment insurance entitlements will be promoted, etc. Simultaneously, based on the findings of the ex-post analysis of the Law on Professional Rehabilitation and Employment of Persons with Disabilities, the impact of this law will be assessed, with focus on compliance with employment quotas for persons with disabilities and monitoring of compliance; analysis of the availability of the full amount of funds paid into the Budget Fund for the purposes specified in regulations on employment and professional rehabilitation; work capacity assessment for the purpose of employment or job retention etc., in order to identify direction of changing and/or amending some provisions of this Law.

In addition, due to the need of regulating different forms of social economy, a regulation on social entrepreneurship will be enacted, in accordance with best EU practices, to support labour and social integration of hard-to-employ categories.

A priority under this measure is the development and enactment of a new Labour Law in order to harmonise it with directives and other EU legislation and international labour standards (ILO conventions) in the process of EU accession, as foreseen by the Action Plan for Chapter 19 - Social policy and employment, as well as to ensure better application of specific legal provisions in practice.

Special focus will be on the regulation of work practice. Having in mind the impacts of high-quality work practice in terms of facilitating young people's transition to the labour market, in 2014, the Council of the EU adopted Council Recommendation on a Quality Framework for Traineeships, specifying the key elements to ensure work practice quality. Legal provisions must address a limit on work practice duration, ensuring the quality of learning, remuneration, etc. The taxation of this contract modality should be more favourable compared to employment contracts, which implies that work practice must be recognised in the regulations on tax and social insurance contributions.

**Type of measure: regulatory**

### ***Measure 3.2. Strengthening the capacities of employment service providers, improvement of coordinated efforts and dialogue in the field of employment policy***

In accordance with the laws of the Republic of Serbia, the Ministry of Labour, Employment, Veteran and Social Affairs is mandated for developing strategic and other planning documents in the area of employment and for monitoring the implementation of active labour market policy measures, while the National Employment Service and employment agencies are recognized as employment service providers.

The existing capacities of the organisational units responsible for employment policy within the Ministry of Labour, Employment, Veteran and Social Affairs must be strengthened by increasing staff numbers, along with improving the organisational structure and continuous investments in competency development, in order to exercise all the competencies relevant to the current employment policy framework in a timely, effective and efficient manner; this need becomes even more pronounced having in mind the activities associated with broadened employment policy goals resulting from the EU accession process and COVID-19 impact on the labour market.

The most recent analysis of the National Employment Service administrative capacities identified segments where the service needs to be structurally reorganised at the central and local levels in order to enhance the quality of services provided to clients, by introducing internal staffing arrangements that prioritise core functions (those working directly with the unemployed) over support functions, fully implementing the methods and instruments for employability assessment and profiling of the unemployed, and increasing the financial resources and effectiveness of active labour market policy measures. Increasing the number of staff working directly with clients at the National Employment Service allows the provision of specific individualised services, especially in the area of job matching, targeted selection of the unemployed for referral to active labour market policy measures and implementation of the integrated service provision approach with centres for social work and other relevant institutions. In order to provide information to the public and enabling access to active labour market policy services and measures to all potential clients, it is necessary to use digital marketing in addition to campaigns on the public broadcasting service and local television stations.

Despite being mandated as employment service providers, in practice, employment agencies are predominantly focused on job matching activities (primarily for vacancies abroad, or for managerial positions in the country - headhunting). The activities to be implemented in the forthcoming period will be determined by the need to strengthen the role of employment agencies as employment service providers, including the provision of CGC services and counselling in line with the adopted standards, preparations for joining the EURES network, etc.

In recent years, civil society organisations, which continuously build their capacities and enhance their expertise and services with support from bilateral and multilateral donors, have emerged as important labour market actors, especially in the area of outreach (reaching inactive persons who refrain from seeking institutional support in employment), CGC and work with youth from multiply vulnerable categories, as well as individualised approach in work with

employers to involve them in the delivery of training programmes and apprenticeships/traineeships/internships to the unemployed. In the process of amending the legal framework in the area of employment, the modality and scope of enabling the civil society organisation to obtain the status of employment service providers will be considered.

Although the employment policy area is characterised by a high level of dialogue, it should be developed and strengthened further, and broadened to include all sectors and policies relevant to and having an impact on the labour market, since it is only through understanding, solidarity and joint efforts as fundamental values of multi-stakeholder dialogue that a rise in high-quality employment can be effected.

Dialogue between institutional and non-institutional stakeholders, as a democratic tool conducive to transparency, may play a crucial role in enhancing the quality, efficiency and wide ownership of public policies. This also encourages the active participation of groups that are often left out of the decision-making process, but are affected by actions.

In the forthcoming period, a range of promotional activities are planned in order to inform the public about the current and planned activities in the area of employment policy and mobilise relevant stakeholders at all levels; in addition, thematic meetings will be held to consider specific employment policy matters or, through sharing experiences, to obtain feedback relevant to the achievement of employment policy objectives.

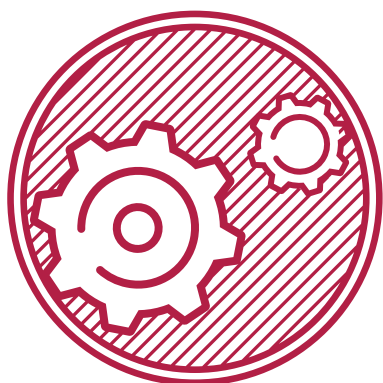
The establishment of an efficient mechanism for monitoring and assessing Strategy implementation is crucial for the pace and quality of implementation of this strategic document and the accompanying Action Plan, but also for the timely identification and implementation of measures to improve them. The interested professional stakeholders and general public will be informed about the progress achieved in this area.

**Type of measure: institutional/management/organisational**









## **VIII MECHANISM FOR IMPLEMENTATION, MONITORING, AND REPORTING ON STRATEGY IMPLEMENTATION**

For the purposes of coordinating, monitoring and reporting on the implementation of the Strategy and Action Plan, the Ministry of Labour, Employment, Veteran and Social Affairs will form a Strategy and Action Plan Monitoring Group (hereinafter: Working Group). The Working Group will consist of representatives of: Ministry of Labour, Employment, Veteran and Social Affairs; National Employment Service; Ministry of Education, Science and Technological Development; Ministry of Finance; Ministry of Economy; Development Agency of Serbia; Ministry of Youth and Sports; Statistical Office of the Republic of Serbia; Public Policy Secretariat; Social Inclusion and Poverty Reduction Unit; Standing Conference of Towns and Municipalities; Chamber of Commerce and Industry of Serbia; representatives of social partners – Serbian Association of Employers, Confederation of Autonomous Trade Unions of Serbia and “Nezavisnost” Trade Union Confederation, as well as representatives of the donor community and civil society organisations.

When nominating Working Group members, their hierarchical rank in the state authority they represent will be taken into account so as to ensure efficient impact on making and implementing strategic decisions; with regard to representatives of the donor community and the civil society, the results achieved, and professional experience will be taken into account. When nominating deputy Working Group members, their prior experience and involvement in the measures and activities recognised in the Strategy and Action Plan will be taken into account to ensure smooth operation.

The Rules of Procedure of the Strategy and Action Plan Working Group, regulating its work in detail, will be adopted at the constitutive session of Working Group. As appropriate, Working Group meetings may be attended by representatives of other institutions, civil society organisations and the academia if their presence is relevant to the work of the Working Group.

Direct responsibility for managing the Strategy and Action Plan lies on the Ministry of Labour, Employment, Veteran and Social Affairs, which also conducts specialist, administrative and technical tasks for the Working Group.

Pursuant to Article 18 of the Law on the Planning System of the Republic of Serbia, the first Action Plan, covering a period of three years of Employment Strategy, is foreseen to be adopted within 90 days of the adoption of the Strategy. The Action Plan will specify activities to be undertaken in order to create the conditions for the achievement of the Strategy goal and objectives and the implementation of its measures; identify the lead institutions and partners for implementing measures and activities; specify their indicators, as well as the time framework and resources for implementation.

All authorities and institutions identified as implementing partners are required to report in writing to the Ministry of Labour, Employment, Veteran and Social Affairs on the implementation of measures and activities on an annual basis.

A performance report against the set Strategy goals will be prepared on the basis of an ex-post impact assessment, and a final report will be submitted to the Government for adoption after the Strategy expires.

Reports will be prepared and submitted to the Government in accordance with the time framework specified in the Law on the Planning System of the Republic of Serbia.

The active labour market policy measures and other activities implemented by the National Employment Service are monitored through the National Employment Service Performance Agreement – a document concluded between the ministry responsible for employment services and the National Employment Service under the Law on Employment and Unemployment Insurance. This agreement regulates in more detail the Action Plan measures and activities implemented by the National Employment Service at the annual level, as well as time framework for their implementation, anticipated results, accountability, financial framework, reporting, etc.



## **IX ASSESSMENT OF FUNDS REQUIRED FOR IMPLEMENTATION OF STRATEGY AND FINANCIAL IMPACT ASSESSMENT**

Funds for the achievement of the objectives and implementation of the measures foreseen by the Strategy are ensured within the Republic of Serbia budget, National Employment Service Financial Plan, Autonomous Province of Vojvodina budget and local self-government budgets, subject to the financial capacities of the Republic of Serbia budget, Autonomous Province of Vojvodina budget and local self-government budgets.

Under the Law on the Republic of Serbia Budget 2021 (Official Gazette of RS No 149/20), funds are provided in Budget Section 30 – Ministry of Labour, Employment, Veteran and Social Affairs for Programme 0803 – Active Labour Market Policy:

- 1) Programme Activity/Project 0005 – Promoting employment of persons with disabilities through the National Employment Service, economic classification 464 – Transfers to compulsory social insurance organisations, amount: RSD 550,000,000.00;
- 2) Programme Activity/Project 0007 – Support for IT retraining, economic classification 462 – Transfers to international organisations, amount: RSD 150,000,000.00.

In the National Employment Service Financial Plan 2021, RSD 5,200,000,000.00 from compulsory social insurance contributions and RSD 52,796,000.00 from a direct grant to the National Employment Service from the IPA 2013 programming cycle are allocated for the implementation of active labour market policy measures.

In the National Employment Service Financial Plan 2021, RSD 900,000,000.00 are planned for the implementation of active labour market policy measures foreseen by local employment planning documents; these funds are ensured from the autonomous province and local self-government budgets.

Under the Law on the Republic of Serbia Budget 2021, in Budget Section 31 – Ministry of Youth and Sports, funds are provided for Programme 1302 – Youth Policy, Programme Activity/Project 0006 – Youth employment support programmes and projects, economic classification 463 – Transfers to other levels of government and 481 – Grants to non-governmental organisations, amount: RSD 100,000,000.00.

In order to provide additional funds from international sources (grants, IPA projects etc.) for the implementation of the planned measures negotiations are still ongoing.

The details of financial effects of Strategy implementation will be presented in the Action Plan, which will be consistent with the medium-term expenditure framework from the 2021 budgeting procedure and comply with the relevant budget section limits to be set by the Ministry of Finance for the coming years.



## X FINAL PROVISION

This Strategy shall be published on the Government of Serbia website, Ministry of Labour, Employment, Veteran and Social Affairs website and e-Government (the e-government portal) within seven working days of its adoption.

This strategy shall be published in the Official Gazette of the Republic of Serbia.

05 No: 021-1471/2021

In Belgrade, on 25 February 2021

GOVERNMENT

PRIME MINISTER

Ana Brnabić, sgd.





**EMPLOYMENT STRATEGY OF  
THE REPUBLIC OF SERBIA  
2021-2026**







Government  
of the Republic of Serbia  
Ministry of Labor, Employment, Veterans  
and Social Affairs



Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Swiss Agency for Development  
and Cooperation SDC

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