



Government of the  
Republic of Serbia



SOCIAL INCLUSION AND  
POVERTY REDUCTION  
UNIT



# EX POST ANALYSIS OF THE NATIONAL EMPLOYMENT STRATEGY FOR THE PERIOD 2011-2020

Foundation for the Advancement of Economics

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## CONTENTS

<b>1. INTRODUCTORY NOTES .....</b>	<b>8</b>
1.1. About the subject of evaluation.....	8
1.2. Methodology of Ex-post analysis of the implementation of the National Employment Strategy for the period 2011-2020 .....	10
<b>2. MACROECONOMIC DEVELOPMENTS DURING THE IMPLEMENTATION OF THE STRATEGY .....</b>	<b>13</b>
2.1. Macroeconomic policy and structural reforms.....	13
2.2 Demographic trends.....	16
<b>3. LABOR MARKET TRENDS IN THE PERIOD 2011-2019 .....</b>	<b>18</b>
3.1. Key labor market indicators .....	18
3.2. Trends in employment structure .....	19
3.3. Wages .....	23
3.4. Labor market indicators in the regional perspective and the potential role of direct investment incentive policy in their dynamics.....	25
3.5. The main vulnerable groups in the labor market.....	32
3.5.1. Women .....	32
3.5.2. Youth .....	36
3.5.3. Older working age population .....	42
3.5.4. Other vulnerable groups in the labor market .....	46
3.6. Financial expenditures for active employment policy measures.....	62
3.7. Gross effects of AEP financial measures .....	63
3.8. Tax incentives for employment during the implementation of the Strategy.....	67
3.9. Cash Social Assistance .....	69
<b>4. ANALYSIS OF THE IMPLEMENTATION OF THE STRATEGIC PRIORITIES OF THE STRATEGY IN THE PERIOD 2011-2019. ....</b>	<b>73</b>
4.1. Encouraging employment in less developed regions and development of regional and local employment policy .....	73
4.2. Improving human capital and greater social inclusion .....	80
4.2.1. Career guidance and counseling.....	80
4.2.2. Increasing the competencies of unemployed persons by acquiring knowledge and skills through the establishment of a system of short trainings.....	84
4.2.3. Development of the National Qualifications Framework and the National Standard Classification of Occupations .....	88
4.2.4. Entrepreneurship support .....	94
4.3. Institutional capacity development and expansion of active labor market policy programs.....	96

4.3.1. Development of institutional capacities for the implementation of active labor market policy .....	96
4.3.2. Expansion of active labor market policy programs .....	101
4.4. Reducing duality in the labor market.....	106
4.4.1. Increasing formal employment and decreasing informal employment.....	106
4.4.2. Mutual respect for the rights and obligations of employees and employers by introducing the concept of flexicurity.....	110
<b>5. SUMMARY ANALYSIS OF THE STRATEGY ACHIEVEMENTS BASED ON THE CRITERIA OF RELEVANCE, EFFECTIVENESS, EFFICIENCY AND SUSTAINABILITY .....</b>	<b>116</b>
<b>6. CONCLUSIONS AND RECOMMENDATIONS .....</b>	<b>134</b>
<b>Annex .....</b>	<b>139</b>

## Summary

*The National Employment Strategy for the period 2011-2020 (The Strategy) determines the establishment of an efficient, stable and sustainable employment growth trend and harmonization of employment policy and labor market institutions with the EU acquis as the basic goal of the employment policy of the Republic of Serbia by the end of 2020. This analysis assesses in detail the degree of fulfillment of this goal, four main priorities of the Strategy – Encouragement of employment in less developed regions and development of regional and local employment policy; Improvement of human capital and greater social inclusion; Development of institutional capacities and expansion of active employment policy; and Reduction of duality in the labor market, as well as 17 specific indicators of success in its implementation.*

*The Strategy is in essence a mature and complete strategic document of its time, with good analyzes and clearly stated priorities. Although its ten-year horizon, modeled on the Europe 2020 Strategy, is a very long and therefore ungrateful for design and planning, its overarching goal – increase in employment - has been achieved almost entirely through the movement of the leading indicator, employment rate, and accompanying indicators of activities and unemployment. Despite still falling far behind the labor market indicators in the EU, solid convergence in this area has been achieved. There has been some, albeit uneven, progress in aligning employment policies and labor market institutions with the EU acquis.*

*The Strategy, like its European model, had a cross-sectoral and narrow sectoral dimension, where the latter referred primarily to active employment policy (AEP) measures, i.e. active labor market programs implemented by the National Employment Service (NES). The cross-sectoral aspect was contributed by the fact that the ministry responsible for adopting the Strategy was the Ministry of Economy and Regional Development, which also included the Employment Sector. That soon changed, and the Employment Sector became the part of the ministry in charge of labor, employment and social policy (hereinafter the Ministry). In further status changes, it became the part of a sole Sector for Labor and Employment, and the number of executors in it was halved. This made the complex tasks of planning, supervising and coordinating the execution of annual employment action plans more difficult. At the same time, the NES also reduced the number of its employees, to a lesser extent, but managed to maintain and later reduce the number of unemployed per advisor, mostly due to a gradual decline in unemployment. Although legally defined relationship between the Ministry and the NES has not changed, in 2017 the NES was given the factual possibility to change the planned programs relatively independently during the year in accordance with its estimates.*

*In conditions of the financial crisis and then fiscal consolidation, the Ministry did not have enough influence within the Government to fight for a larger budget for active employment measures as envisaged by the Strategy. These measures form the core of narrowly defined Strategy whose implementation is under its full or almost full control. Although the Strategy envisaged that the share of active measures in the budget would reach 0.4% by 2013 and then stabilize at the level of 0.5% of GDP, this budget was below or around 0.1% of GDP throughout the implementation of the Strategy, which is among the proportionately smallest budgets for active programs in Europe and the region.*

*However, starting in 2012, most of the quantitative indicators of the Strategy began to recover and this positive process lasted until the outbreak of the pandemic crisis at the very end of its implementation. Given the extremely limited funds for the implementation of ALMPs, this trend was influenced primarily by macroeconomic and structural reforms, especially in the field of creating a more favorable business environment, encouraging direct investments, reindustrialization and sectoral policies which impact employment, but also the overflow of positive global and European conditions.*

*Measures to encourage direct investment have led to a certain reduction in regional disparities in employment and wages and an increase in employment in manufacturing sector, which halted and partially reversed earlier trends of increasing regional disparities and deindustrialization. Maintaining a non-stimulating system of labor taxation and restrictive social policy rules has limited potentially greater benefits from structural reforms for members of vulnerable groups.*

*In a very limited financial framework, it can be said that the funds allocated for the needs of active employment policy were mostly rationally spent, but their effects were necessarily modest, so that they only managed to ensure that the targeted groups did not further worsen their relative position. Non-financial measures covered a wide range of the unemployed and for a long time have been assessed as very effective and efficient. This assessment is partly a result of the fact that the time costs of NES employees were neglected and gross effects were treated in the same way as financial measures. For all registered unemployed persons, and especially for deeply vulnerable categories, non-financial measures remain an important necessary condition, but many of them also need financial measures, which were available at best to only a quarter of the unemployed from the NES records due to limited funds. Members of vulnerable groups have always accounted for more than 90% of beneficiaries of financial measures, but that result was easier to achieve given that they made up at least about 80% of all the unemployed anyway.*

*During the period of implementation of the Strategy, despite the constant growth of employment since 2013, the levels of income inequality and poverty risk monitored through SILC were at a very high level, mostly resistant to continuous incremental annual employment growth. There was some decline in income inequality under the influence of fiscal consolidation, but that decline hardly affected the poorest quarter of Serbia's population. The relative prosperity in the last years of implementation of the Strategy was not widespread, partly due to the retention or establishment of institutional solutions that did not go in the direction of empowering vulnerable beneficiaries, for example in the field of social assistance and unemployment benefits.*

*The current capacities of the part of the Sector for Labor and Employment that deals with active employment policy are hardly sufficient to conduct the immediate sectoral aspect of the implementation of the Strategy. Its empowerment should be a priority, as well as strengthening its role in creating the narrowly understood AEP. However, in order to re-position the Employment Strategy as a comprehensive cross-sectoral strategy, it is necessary for a high level of executive power to participate in its coordination, and ideally also representatives of the wider society.*

*The Socio-Economic Council (SEC) appears to be a uniquely well-positioned and sufficiently influential and flexible umbrella structure to monitor the implementation and management of the future strategy. It is composed of six representatives of the Government, trade unions and employers. At the same time, they represent a link to civil society and citizens as the final beneficiaries of the Strategy. The already achieved high public profile of the SEC could contribute to the visibility of the Strategy, and positioning of the Strategy within the SEC would give an additional stimulus to the expansion of the significance and scope of its work. In that way, the strategy would partially gain the quality of a social pact. Cross-sectoral coordination of the Strategy would be performed within the SEC through the coordinating activity of the Government part of the SEC and especially through further strengthening of its expert bodies, in accordance with the recommendations of the European Commission. Operational sectoral management and monitoring of the Strategy would remain within the competence of the Ministry in charge of labor and employment.*

## **List of acronyms**

AE-PRO - Publicly recognized organizer of adult education activities

*AEP - Active Employment Policy*

*AET - Additional education and training*

*AES – Adult Education Survey*

*ALMP - Active Labor Market Policy*

*CAASS - Conferences of academies and colleges of Serbia*

*CGC - Career guidance and counseling*

*CIPC - Center for Information and Professional Counseling*

*CSA – Cash Social Assistance*

*CSW - Center for Social Work*

*DC – Development Center*

*EQF - European Qualifications Framework*

*ENPES - European Network of Public Employment Services*

*EU - European Union*

*FDI - Foreign direct investment*

*FSA - Financial social assistance*

*GDP - Gross Domestic Product*

*GRB - Gender Responsible Budgeting*

*IDPs - Internally Displaced Persons*

*IEP - Individual employment plan*

*IIE- Institute for Improvement of Education*

*ILO - International Labor Organization*

*IOM - International Organization for Migration*

*IPA - Instrument for Pre-Accession Assistance*

*ISCO - 08 - International Standard Classification of Occupations*

*KONUS - Conference of the University of Serbia*

*LEAP - Local Employment Action Plan*

*LEC - Local Employment Council*

*LFS - Labor Force Survey*

*LSG - Local self-government*

*MAEP - Measure of active employment policy*

*MoERD - Ministry of Economy and Regional Development*

*MoYS - Ministry of Youth and Sports*

*MoESTD - Ministry of Education, Science and Technological Development*  
*MoLEVSA - Ministries of Labor, Employment, Veteran and Social Affairs*  
*MoF - Ministry of Finance*  
*MSC - Migration Service Centers*  
*NBS - National Bank of Serbia*  
*NEAP - National Employment Action Plan*  
*NEET - Those who are not employed and who are neither in the process of schooling nor in training*  
*NES - National Employment Service*  
*NQ – No qualifications*  
*NQFRS - National Qualifications Framework of the Republic of Serbia*  
*NSCO - National Standard Classification of Occupations*  
*PDIFRS – The Pension and Disability Insurance Fund of the Republic of Serbia*  
*PKS - Serbian Chamber of Commerce*  
*PW – Public Works*  
*RPL - Recognition of prior learning*  
*PDI – Pension and Disability Insurance*  
*PPP - Dollars of equal purchasing power*  
*PWDs - Persons with disabilities*  
*RS - Republic of Serbia*  
*RSJP - Public Policy Secretariat of the Republic of Serbia*  
*SCTM – Standing Conference of Towns and Municipalities*  
*SEC - Socio-Economic Council*  
*SILC – Survey on Income and Living Conditions*  
*SIPRU - Social Inclusion and Poverty Reduction Team*  
*SMEs - Small and medium enterprises and entrepreneurs*  
*SORS - Republic Statistical Office*  
*STWT – Transition from School to Work*  
*UEIS - Unified Education Information System*  
*UEN - Unique educational number*  
*UES - Union of Employers of Serbia*  
*WB - World Bank*



# 1. INTRODUCTORY NOTES

## 1.1. About the subject of evaluation

National Employment Strategy for the period 2011-2020 (hereinafter the Strategy<sup>1</sup>) as the basic goal of the employment policy of the Republic of Serbia by the end of 2020 determines the establishment of an efficient, stable and sustainable employment growth trend and harmonization of employment policy and labor market institutions with the *acquis communautaire* (hereinafter EU).

In the process of adoption, the strategy was harmonized with the reform processes that have an impact on the national labor market, but also with the strategic commitment of the Republic of Serbia to join the EU. Although Serbia was not a candidate for EU membership at the time of the adoption of the Strategy, it was prepared in accordance with the Europe 2020 Strategy and other relevant European programming documents, such as the Employment Policy Guidelines adopted in 2010.

The Strategy defines strategic directions and priorities of employment policy for the established reference period 2011-2020, in accordance with the identified basic challenges in the labor market that the Republic of Serbia was facing with (demographic challenge and labor migration, regional differences, educational challenge, institutional challenge and labor market duality). The four priorities of the Strategy are defined as follows:

1. Encouraging employment in less developed regions and development of regional and local employment policy;
2. Improving human capital and greater social inclusion;
3. Development of institutional capacities and expansion of active employment policy; and
4. Reducing duality in the labor market.

The realization of these priorities was achieved on several levels. The Strategy itself represented a certain strategic choice of public policy in one period of time, based on the chosen model of the country's growth, shape of the economic system and basic patterns of ownership and distribution.

At the inter-ministerial (or macroeconomic) level, the Strategy is implemented through employment policy measures in a broader sense. Employment policy in a broader sense actually encompasses all aspects of economic policy that directly or indirectly affect the use of labor as a factor of production. It includes fiscal policy (taxes and contributions, subsidies, public spending), monetary policy (interest rates, money supply), exchange rate policy, foreign trade policy, industrial policy, etc. - in short, the macroeconomic sphere of economic policy. The Government of the RS with the relevant ministries, as well as other governmental and independent bodies at the national level, represent the actors involved in the implementation of the Strategy at this level.

In practice, the Strategy is often unjustifiably reduced to its narrow sectoral aspect, i.e. labor market policy, and even narrower within it, to the implementation of active labor market policy. Labor market policy consists of creating and improving the institutional framework of the labor market (labor legislation and actors in creating and implementing labor market policy), passive labor market policy

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<sup>1</sup> Given that the 'natural' abbreviation of the National Employment Strategy would be the NES, which is an abbreviation that is widely used for the National Employment Service, which we also use extensively, we decided to use the term Strategy as an abbreviated form for National Employment Strategy.

(unemployment benefits and other types of insurance against individual and collective shocks in the labor market) and active labor market policy (services and measures provided to the unemployed and other particularly vulnerable persons and groups in the labor market). The actors that can be related to this level of implementation of the Strategy are primarily the Ministry of Labor, Employment, Veteran and Social Affairs and the National Employment Service. It should be noted here that at the time of the adoption of the Strategy, its leading ministry was the Ministry of Economy and Regional Development (MoERD), within which the Employment Sector was directly in charge of its implementation. That sector became part of the Ministry of Labor, Employment and Social Policy the following year. In subsequent changes, the employment sector was merged with the labor sector within the Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA). These administrative changes also had substantial consequences, that will be dealt with in the continuation of the analysis.

Finally, the Strategy is partially implemented through the actions of actors who are not part of the structure of the central government. These can be local authorities, international organizations that help the employment and development of human resources in Serbia, social partners and other civil society organizations, scientific research organizations, etc.

The strategy sets out the basic success indicators for its implementation which are listed below, and the data for 2010 are taken as the starting point. These are the following indicators:

1. Increasing the activity rate of the working age population 15-64;
2. Increasing the employment rate;
3. Reducing the unemployment rate;
4. Change in the sectoral structure of employment - decline in employment in agriculture, increase in employment in industry and services;
5. Change in employment by type of employment - decline in vulnerable employment (consisting of self-employed and unpaid family workers);
6. Decrease in the share of the informal economy - decline in informal employment;
7. Reduction of regional disparities - reduction of disparities in employment and unemployment rates by regions;
8. Reduction of long-term unemployment - reduction of the share of long-term unemployment;
9. Employment of women - increasing the activity rate and employment rate of women;
10. Youth employment - increasing the activity rate and youth employment rate;
11. Employment of the elderly - increasing the employment rate of the elderly;
12. Employment of persons with disabilities;
13. Roma employment;
14. Employment of rural population;
15. Employment of refugees and internally displaced persons;
16. Employment of beneficiaries of financial social assistance;

17. Allocation of a larger amount of financial resources for active employment policy measures - a larger number of unemployed persons included in active employment policy measures.

## 1.2. Methodology of Ex-post analysis of the implementation of the National Employment Strategy for the period 2011-2020

Given that the ex-post analysis of the Strategy is performed in the last year of implementation, it has the characteristics of a terminal evaluation, which means that it is not possible to monitor the overall effects of the Strategy after its completion as is the case with 'real' ex-post evaluations which are performed sometime after the expiration of the validity of the intervention being evaluated. We also note that the Covid-19 virus pandemic significantly changed the circumstances of the implementation of the Strategy in the last year, and that data for 2020 will not be available until the end of the evaluation. They will certainly be colored by an external shock that could not have been foreseen by the Strategy. Therefore, the analysis of the implementation of the Strategy will refer to the period 2011-2019. With this in mind, the subject of analysis will be, as is usual for ex-post evaluations, the sustainability of interventions as an important evaluation criterion of achievement, where it is observed whether the effects continue and last after the intervention. In any case, given that the last evaluation of the implementation of the Strategy was performed for the period 2011-2015<sup>2</sup>, all other evaluation criteria will be given full attention in accordance with the requirements of the terms of reference.

One of the biggest challenges in evaluating comprehensive strategies, such as the Strategy that is the subject of this analysis, is to determine whether and to what extent quantitative and qualitative macro indicators changed (towards or away from achievement goals) due to the implementation of the Strategy, or regardless of its implementation. This problem will be partially addressed by a comparative analysis of quantitative changes in the performance of the groups prioritized by the strategy, as well as the costs allocated to improving the position of these groups, in relation to the average changes in general indicators of the Strategy. Also, information and data on complexity of economic and social policy interventions, will give indications about the order of magnitude of the potential impact of employment policy, narrowly understood as labor market policy, on labor market performance as a whole and specific groups within it.

In accordance with the terms of reference, the achievements of the Strategy are evaluated on the basis of four groups of evaluation criteria - relevance, effectiveness, efficiency and sustainability. The presentation of general and individual goals of the Strategy gives an assessment of their relevance, while the analysis of the achieved results during its implementation provides a view on the realization of individual goal outcomes of the Strategy, primarily in terms of their efficiency and effectiveness. The analyzes in the two most extensive chapters - the third and fourth - are best viewed in a complementary way. The summary assessment, which we draw from both quantitative indicators and analysis of qualitative institutional changes, but also from interviews with key actors in the creation and implementation of the Strategy, is given in the last chapter, where we particularly, but not exclusively, insist on the issue of sustainability.

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<sup>2</sup> Evaluation of the success of the National Employment Strategy for the period 2011-2020, for the first five years of implementation (2011-2015)

Questions from the terms of reference that this ex-post analysis seeks to answer:

#### *Relevance*

Are the policy goals related to public policy documents, i.e. Government priorities? Are the activities in line with the long-term strategic orientation of the country?

Why was public intervention needed (policy making and implementation)?

Are the correct priorities selected? Are the needs of the target groups fully met?

Were the envisaged measures adequately planned and dimensioned, especially from the aspect of including those harder to employ and directing the measures to less developed areas?

#### *Effectiveness*

Have the goals of the Strategy been achieved? Have the planned effects and results been achieved and conditions of development changed? If not, is it possible to quantify the difference and find the causes?

Were the selected activities / measures relevant and most adequate to achieve the results? Were the results sufficient to achieve the goals?

Are public policy users satisfied with the results achieved?

What were the main factors that made it difficult, or favorable, to achieve the goals?

#### *Efficiency*

Which indicators and target values are defined for the results and have they been achieved?

What are the costs of the result - per result and total? How much do they deviate from the planned costs? Do the results justify the investment compared to the relevant benchmarks (comparison of total and unit costs)?

Were there opportunities for similar results to be achieved at lower cost?

Were the engaged resources sufficient to achieve results?

Were the achieved results in accordance with the set deadlines? If not, what are the reasons for that?

Are the results achieved adequate?

Were the activities sufficient to produce results?

Were the activities of appropriate quality and quantity performed in a timely manner?

Is the achieved progress sustainable? Can the current regulatory framework allow for a more lasting benefit from the implementation of the Strategy?

Are there financial and economic mechanisms for long-term and sustainable benefits of the Strategy?

Are there adequate institutional capacities to maintain the positive effects of the Strategy?

By abandoning certain programs, would their results be annulled?

Are there sufficient capacities to sustain activities initiated by external assistance through their own investments?

In accordance with the terms of reference, the evaluation more specifically addresses the following issues:

- How were active labor market measures created and what was their structure according to type, users and costs?
- How did budget expenditures for active labor market measures move and what were their gross effects?
- What are the effects on the employment and unemployment structure? To what extent have demographic trends, migration and regional effects affected basic labor market indicators?
- Whether and to what extent the duality in the labor market has been reduced due to the implementation of the Strategy (employment in the public versus the private sector, employment in the formal versus informal economy, employment by gender structure, by the number of working hours); did the quality of employment improved during the implementation of the Strategy; was there an improvement in the balance between family and work responsibilities?
- Is it possible and to what extent to establish the connection between the application of active measures on the labor market and creation of new jobs, as well as the policy of support for foreign direct investments?
- What are the effects in the context of human resource development (on education, training and lifelong learning) as well as poverty reduction (social inclusion and activation of members of vulnerable groups)?
- Is there an appropriate institutional framework for conducting employment policy at the national and local level - the role and position of the Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA), other line ministries, the National Employment Service at the national level; the role and function of local employment bodies at the level of local self-government; the role of social partners in the development, implementation and monitoring of the implementation of the Strategy; the role and position of employment agencies; integration of the contribution of projects of multilateral and bilateral international agencies and the civil sector to employment, etc.? What are the potential conceptual shortcomings of the Strategy and how can they be overcome in the new Strategy? Has convergence been achieved in relation to the objectives of achieving the Europe 2020 Strategy in the field of employment and human resources development, as well as in relation to the activities for achieving those goals?

## 2. MACROECONOMIC DEVELOPMENTS DURING THE IMPLEMENTATION OF THE STRATEGY

### 2.1. Macroeconomic policy and structural reforms

Unlike most European countries, where economic activity during the economic crisis of 2008-2012 took the form of the letter "W", the economy of Serbia was characterized by three episodes of recession. In addition to the decline in economic activity in 2009 and 2012, Serbia recorded a negative growth rate in 2014 as well. The May floods, the slowdown in the manufacturing industry due to negative trends in the automotive industry, the application of austerity measures due to the beginning of fiscal consolidation, which the Government began to implement in late 2014, contributed to the economic downturn this year. Since 2015, the Serbian economy has officially emerged from the crisis, and during the fiscal consolidation program until 2018 it managed to record moderate economic growth rates.

The preparation of the Strategy was based on an informal growth strategy called "Post-Crisis Model of Economic Growth and Development of Serbia 2011-2020"<sup>3</sup>, which did not have an official status, but contained the main development guidelines and detailed economic projections. All the general as well as several specific goals set in the Strategy are taken from the "Post-Crisis Model". The Strategy was basically aligned with the economic assumptions set out in this study. This refers, for example, to the projected change in the sectoral structure of employment, i.e. the reduction of employment in agriculture and the increase in employment in services and industry, the latter in the context of planned reindustrialization by turning to growth sources based on export expansion instead of consumption growth as dominant source of growth until the outbreak of the economic crisis.

During the period of implementation of the Strategy, the Government of Serbia implemented two fiscal consolidation programs, which were primarily based on the reduction of public expenditures, increase of public revenues and the implementation of structural and public sector reforms. In essence, both programs were predominantly concerned with public finances, while important structural reforms were largely absent. True, labor law reform was implemented at the beginning of the second fiscal consolidation program, but its effects on macroeconomic trends should not be overestimated, which we will address in Chapter Four. The first fiscal consolidation program implemented in the period from 2012 to 2014 did not give the desired results, given that consolidated public expenditures increased, and that the rapid growth of public debt did not slow down at all. Due to the greater determination of the state to persevere in the implementation of measures, the second fiscal consolidation performed in the period 2014-2017 gave better results in terms of public finances. Budget revenues have increased over time, while public expenditures have decreased, which resulted first in an extremely low fiscal deficit, and then the emergence of budget surpluses in 2017 and 2018. Favorable global economic trends also gave the wind in the back, especially the recovery in the EU as Serbia's main economic partner. The improvement in public finances was also reflected in the slowdown in the growth of the share of public debt in GDP, which was finally stopped at the end of 2015, in order to start the trend of its reduction from next year, which was the case until the end of 2019.

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<sup>3</sup> See Bajec at all. (2010)

The improvement of Serbia's macroeconomic performance, but also the recovery of the global economy, have influenced the increased inflow of foreign direct investments since 2015. The share of foreign direct investment (FDI) in GDP is constantly increasing and in 2019 it amounts to 7.8%. There is no doubt that FDI had a good impact on the growth of economic activity, employment growth and changes in its structure in this period. The Government's policy aimed at attracting foreign direct investments also played a significant role in the growth. Regulations on the conditions and manner of attracting direct investment (which offer benefits and advantages to all investors, but whose users are mostly foreign companies) are generally adopted annually and provide a wide range of benefits and services to (foreign) investors. Thus, the Decree on the conditions and manner of attracting investments from 2016 determines the range for subsidies per newly created job between 3,000 and 7,000 euros, differentiated according to the level of development of the area in which the investment took place. The most generous subsidies (7,000 per job and 30% of the value of the investment) are planned for investments in devastated areas. The limit for receiving state aid has been lowered from 250,000 euros of investment to 150,000, with the obligation to employ at least 20 workers. In return, the investment must be maintained for at least five years, and the individual wages of employees cannot be lower than 120% of the minimum wage.

It is important to note here that job subsidies to investors are part of a broader employment policy, but not part of ALMPs, because companies have full freedom to hire workers they need most and consider the best, regardless of whether they are registered as unemployed or not, whether they got a job by moving from another job and whether they belong to one of the vulnerable groups. Therefore, the growth of 'anonymous' employment is not a guarantee that employment will increase proportionally and that the position on the labor market and the overall socio-economic position of members of vulnerable groups will improve. We will return to this important topic in the conclusion.

Over time, the macroeconomic stability of the Serbian economy has been achieved also in terms of inflation. In the first years of the implementation of the Strategy, the growth, first of retail prices, and then of consumer prices, was relatively high. However, since 2014, inflation in Serbia has been extremely low, so much so that in some years it was even below the target corridor defined by the NBS. The causes of low inflation in the first years were primarily the fall in domestic demand and the fall in the prices of certain energy sources, while in later years it was the moderately restrictive monetary policy of the NBS.

Table 1 - Macroeconomic indicators of the Serbian economy, 2010-2020.

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
GDP, million EUR	31546	35432	33679	36427	35467	35716	36723	39183	42855	45912*
GDP, per capita, in EUR	4326	4896	4677	5083	4973	5034	5203	5581	6137	-
GDP, real growth, in%	0.7	2.0	-0.7	2.9	-1.6	1.8	3.3	2.0	4.4	4.2*
Consumer prices, average	6.5	11.0	7.8	7.8	2.9	1.9	1.2	3.0	2.0	1.7
	Fiscal indicators, % of GDP									
Consolidated public revenues	39.3	37.7	38.6	37.3	39.0	39.3	40.8	41.5	41.5	42.1
Consolidated public expenditure	43.7	42.2	45.1	42.5	45.2	42.8	41.9	40.4	40.9	42.3
Consolidated deficit / surplus	-4.3	-4.5	-6.4	-5.1	-6.2	-3.5	-1.2	1.1	0.6	-0.2
Share of public debt in GDP, in%	39.5	42.8	52.9	56.0	66.2	70.0	67.8	57.9	53.7	52.0
	Foreign economic indicators (in million EUR)									
Export of goods	7393	8441	8739	10996	11159	12039	13432	15051	16282	17533
Import of goods	12424	14250	14712	15468	15187	16087	17068	19396	21919	23875
Trade deficit	-5030	-5809	-5974	-4473	-4029	-4048	-3636	-4345	-5637	-6342
Trade deficit,% of GDP	-15.9	-16.4	-17.7	-12.3	-11.4	-11.3	-9.9	-11.1	-13.2	-13.8
FDI, net, in EUR million	1133	3320	753	1298	1236	1804	1899	2418	3157	3583
FDI, net,% of GDP	3.6	9.4	2.2	3.6	3.5	5.1	5.2	6.2	7.4	7.8

\* Estimate MoF

Source: SORS, NBS, NES, PDIFRS, and MoF



## 2.2 Demographic trends

The pronounced depopulation trend, which was recorded in the first decade of the 21st century, also continued in the second decade. During the ten-year period covered by the Strategy, there was a significant decline in the total population, but also changes in the population structure. During this period, the post-war generation, which consisted of large annual cohorts of about 115-120,000 members, left (and are still leaving) the working-age population, while at the same time replacing them at two alternative entry points of working age, are cohorts of 15-year-olds or 20-year-olds with an average of less than 70,000 members. This process is not new and has been going on for a whole decade of Strategy implementation. However, there has been a new development in the second half of the period of implementation of the Strategy, in the age group of 55 to 64, the large generations born between 1950 and 1955 are replaced by cohorts born between 1960 and 1965, which are much smaller (a little over 90,000 members on average), reducing the size of the older working-age population by over 200,000 or some 17% in just 10 years - from 1,204,000 at 992,000. Thanks to large annual outflows of the working age population and only a secondary mild increase in life expectancy, the population older than 65 has increased significantly, like in the mirror.

At the other end of the age distribution of the working age population, the age groups of the youngest (15-19 and 20-24) also decreased by more than 100,000, i.e. more than 10%, in the period 2010-2019, despite a temporary revival of birth rates in the early 2000s. However, their attachment to the labor market is practically marginal. The only relative stability was shown by the age group 25-54, but that will change radically in the next decade, when its great decline will occur, which will represent an additional challenge in achieving dynamic economic growth and employment growth.

Looking at three aggregate groups - population 20-64, 15-64 and 15+, it becomes clear that there has been a significant decrease in the working age population in the range of 15-64 and 20-64, by about 50,000 each year in both groups (data in Table 2 are taken from the Labor Force Survey and contain the revision of the working age population upwards of more than 200,000 persons in 2014, and therefore the cumulative decline of the respective age groups is formally proportionally smaller).

From these dramatic declining trends, which include estimated negative net migrations, it can be concluded that demographic trends were an extremely strong factor that shaped, alongside with economic growth, the volume and structure of labor supply and demand in Serbia during the implementation of the Strategy. While the demographic decline affected the direction of labor reduction, the effect of economic growth took the opposite direction. In the long run, quantitative indicators of activity, employment and unemployment can therefore be seen as the result of these two powerful factors.

*Table 2 - Population by age groups, in thousands, 2010-2019*

	2010	2011	2012	2013	2014*	2015	2016	2017	2018	2019
15- 19	415	400	372	362	377	363	349	340	336	336
20-24	433	434	425	394	415	409	407	400	390	379
20-64	4391	4357	4326	4237	4429	4377	4326	4278	4228	4167
55-64	1204	1255	1270	1209	1110	1088	1067	1049	1030	999
15-64	4806	4757	4699	4599	4806	4740	4675	4618	4564	4503
15+	6307	6276	6241	6089	6080	6044	6015	5983	5954	5922

\* Break in time series

Source: Eurostat, based on LFS data, SORS.

According to the SORS estimates of migration flows during this decade, Serbia kept losing about 10-15,000 inhabitants each year on the basis of a negative net migration balance, and that outflow was stable. However, according to Eurostat data, based on statistics from EU members, which are the main destinations of our emigrants at the same time, migration accelerated in the second half of this decade. Two main circumstances have contributed to this - easing the regulations for labor migration for people without particularly desirable qualifications to Germany, which is the main Western European destination for our migrants, as well as the growing demand for temporary labor in new EU member states such as Slovakia, Slovenia, Czech Republic, Croatia and Poland. However, based on the statistics of migrants in the main destination countries, there are no particularly strong indications that the permanent migration of our population and the migration of professionals (the so-called brain drain) has accelerated in recent years<sup>4</sup>. On the contrary, one innovative study<sup>5</sup> found, based on LFS data, the opposite trend - net migration for more than a year decreased during the second half of 2010s, and migration trends even have a net positive effect on the educational level of the young population.

<sup>4</sup> Arandarenko, M. 2021. forthcoming: Serbia country study: understanding interaction between migration, human capital and the labour market, Wiiw and European Training Foundation.

<sup>5</sup> Leitner, S. 2021. forthcoming: Serbia country study: cohort approach to interaction between migration, human capital and the labour market, Wiiw and European Training Foundation.

### 3. LABOR MARKET TRENDS IN THE PERIOD 2011-2019

#### 3.1. Key labor market indicators

Ever since the political changes that took place in 2000, the Serbian economy has been characterized by a relatively unstable relationship between employment and GDP. Thus, before the outbreak of the economic crisis, an episode of jobless economic growth was recorded, in which the economy continuously recorded positive growth rates while employment stagnated, and in some years even decreased. The consequences of the economic crisis from 2008 soon spilled over into the Serbian labor market, where a significant deterioration of all basic indicators was registered in 2009. In fact, the coincidence of the impact of the crisis and the economic transition contributed to the fact that the bottom, when it comes to labor market indicators, was reached in the first years of implementation of the Strategy, in 2011 and 2012. The gap between production and employment also occurred during the economic crisis, so the labor market recovered strongly in 2013 and 2014, while the impact of the crisis on the economy lasted right until 2014. The post-crisis episode, which refers to the period until the outbreak of the global pandemic, was characterized by a completely opposite pattern from the one from the previous decade - employment grew much faster than production, so their trend harmonized only in the last couple of years. The discrepancy in the trend of these indicators can be explained by the combination of the well-known effect of return on average<sup>6</sup> (regression to the mean) and the influence of autonomous factors on the labor supply side<sup>7</sup>. Table 3 shows the trend of the activity, employment and unemployment rate of the working age population in Serbia since 2011.

*Table 3 - Basic labor market indicators for the population aged 15-64, 2011-2019*

	2011	2012	2013	2014*	2015	2016	2017	2018	2019
	Absolute numbers (in thousands)								
Total	4757	4699	4599	4806	4740	4675	4618	4564	4503
Active	2829	2831	2839	3049	3020	3068	3081	3096	3068
Employed	2162	2135	2188	2443	2470	2580	2648	2685	2733
Unemployed	667	696	651	606	550	488	433	411	335
	%								
Activity rate	59.5%	60.3%	61.7%	63.4%	63.7%	65.6%	66.7%	67.8%	68.1%
Employment rate	45.4%	45.4%	47.6%	50.8%	52.1%	55.2%	57.3%	58.8%	60.7%
Unemployment rate	23.6%	24.6%	22.9%	19.9%	18.2%	15.9%	14.1%	13.3%	10.9%

Source: Eurostat, [https://ec.europa.eu/eurostat/databrowser/view/lfsa\\_ergan/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/lfsa_ergan/default/table?lang=en)

\*Brake in time series

To understand the trends, it is important to note that during 2014 and 2015 there was a major methodological change in the form of permanent instead of quarterly implementation of the Labor

<sup>6</sup> Due to the sharp decline in employment in the period 2008-2012, there was a recovery of employment which returns it to a long-term equilibrium level in relation to GDP.

<sup>7</sup> Arandarenko, M. and Aleksić, D., 2016. Not all jobs are created equal: How not to misread the labour force statistics in Serbia. *Ekonomika preduzeća*, 64(3-4), pp.211-224.

Force Survey, as well as the establishment of a new statistical reference framework, which is visible also from the revision of working age population based on the results of the 2011 Census. This has resulted in a one-off improvement in labor market indicators, the effects of which have been 'diluted' over the next five years. However, it should be borne in mind that at the end of the implementation of the Strategy, the basic quantitative indicators of the labor market calculated on the basis of the old methodology would be somewhat weaker.

The first of the indicators that recorded a recovery was the activity rate. The growth of the activity rate that began in 2012 continued throughout the period and in 2019 this rate is 68.1%. The stated value is quite close to the target value of 68.8% set by the Strategy for 2020. Having in mind the speed of the growth of the activity rate of the working age population in the previous period, it was justified to expect that the value planned by the Strategy will be reached in the following year. However, the probability of meeting the goal is significantly reduced by the appearance of a global pandemic.

After the stagnation in 2012, the employment rate of the working age population recorded a constant increase during the reference period of the Strategy implementation. The growth of about 15 percentage points in the observed period influenced the real value from 2019 (60.7%) to be very close to the target value of 61.4%. And it, like the activity rate, would very likely have been reached had it not been for the health crisis caused by the Covid-19 virus. The employment rate for the 20-64 age group in 2019 was 65.2% compared to the target value of 66.3% in 2020.

The latest recovery from all basic indicators was recorded in the case of the unemployment rate, which started to decrease only in 2013. Despite the relatively late recovery, the fall in the unemployment rate of the working age population of about 13 percentage points contributed to the fact that the target value for 2020 of 10.8% was almost reached in 2019.

In summary, we can conclude that there has been an improvement in the performance of the labor market as a whole, according to all three observed basic indicators. According to the Strategy, the planned values have either already been reached in 2019 or would have been reached in 2020, in the event that COVID-19 did not occur.

However, it should be noted that despite significant improvements in the labor market, Serbia lags far behind the average values of basic indicators of EU countries. EU labor market indicators have also improved noticeably in the meantime, so the reduction in the gap is far less impressive than if the EU has 'tapped in place' over the past decade. The largest gap is still observed in the employment rate of the working age population (69.2% vs. 60.7%), while the position in the case of the activity rate (74% vs. 68.1%) and the unemployment rate (6.4% vs. 10.9) is somewhat more favorable.

### 3.2. Trends in employment structure

#### *Employment by sector of activity*

One of the more important goals of the Strategy was to change the economic structure in the direction of greater share of employment in industry and services at the expense of employment in agriculture. In the initial year of implementation of the Strategy, approximately one in five workers aged 15-64 was employed in agriculture, one in four in industry, while about 54% of all workers were employed in services. During the ten-year period, changes in the structure of the Serbian economy have taken place in the desired direction. Thus, employment in agriculture decreased to 13.4%, while the share of

employment in industry and services increased to 28.8%<sup>8</sup> and 57.8%, respectively. This continued the long-term decline in agricultural employment and employment growth in the services sector. Perhaps most importantly, having in mind the strategic starting point of the Strategy in the 'Post-Crisis Growth Model', the trend of rapid decline in industrial employment from the previous decade was stopped and a slight recovery of industrial employment of the working age population was achieved. The share of agricultural employment is somewhat more pronounced when the adult population is taken into account (15.6%) due to the fact that persons older than 65 are predominantly engaged in agriculture.

#### *Employment by type of employment*

The amount and regularity of income largely depend on the professional status, but also certainty and security in terms of job retention. Statistically speaking (not in each individual case), in the most favorable position are those workers who are employed for a salary and work for an employer in any property sector. The self-employed have a somewhat riskier position - persons who work as sole proprietors of enterprises / private shops / agricultural holdings, or the persons who maintain individual professional practice for their own account. The most unfavorable category of employees are unpaid family workers (supporting household members) who are not paid for their work and whose employment depends exclusively on the functioning of the family business or agricultural farm. In addition, the sum of the last two categories of employees represents vulnerable employment in the country.

In accordance with the above-mentioned categorization, one of the qualitative goals of the Strategy was to improve the structure of employment according to professional status, i.e. to reduce vulnerable employment. During the implementation of the Strategy, the structure of employment by type of employment fluctuated over time. Vulnerable employment first grew until 2013, and then fluctuated moderately around the level of 28%. A significant decline occurred only in 2018 and 2019, which has led to the share of vulnerable employment being just below 24%. However, it is still well above the EU average, where in 2019 the share of vulnerable employment is around 14% (Eurostat). Regardless of the changes during the observed period, the level of vulnerable employment of the working age population is significantly lower than in 2010 (27.2%). The decline in vulnerable employment was primarily result of a decrease in the share of unpaid family workers (from 7.2% to 4%) and an increase in the share of employment for salary (from 72.8% to 76.1%), while the share of self-employed mostly stagnated (20, 1% vs. 19.9%).

#### *Employment by type of ownership*

During the economic crisis, employment in the public sector proved to be significantly more resilient than employment in the private sector. This is exactly what contributed to the increase in the share of employment in the public sector in the first years after the outbreak of the economic crisis. However, the completion of privatization, changes in the economic structure, but also the adoption of the Law on Means of Determining the Maximum Number of Public Sector Employees and the Government's Decision on Banning Employment in the Public Sector, contributed to the decline in public sector employment. Thus, compared to 2010, when about 46% of employees of working age worked in enterprises and institutions that were in state (43.2%) and public ownership (2.9%), in 2019 about 720,000 people were employed in state-owned enterprises or institutions, or only 26.5%.

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<sup>8</sup> The industry also includes construction, which includes 5% of all employees.

### *Employment by type of work*

The structure of the formal labor market in Serbia is such that in 2019, the total number of employees for salary is dominated by workers working indefinitely (77.4%), followed by those working on fixed-term contract (19.4%), while the least number of workers is engaged in seasonal and occasional jobs (3.2%). Compared to the reference year of 2010, there was a significant deterioration of the structure in the direction of greater job insecurity. At that time, as many as 88.5% of employees were hired based on the indefinite term contract<sup>9</sup>. Redistribution within the employment structure occurred mainly between the first two categories, given that employment with fixed-term contract increased from 8.7% to 19.4%, while engagement in seasonal and occasional jobs mostly ranged around 3%. The continuous increase in the share of occasional employment has led to the fact that in 2019, almost every fourth worker in Serbia has occasional employment (about 23%), which is about 10 percentage points more than the EU 28 average (Eurostat).

It should be noted that the situation is even more unfavorable if the reason why workers in Serbia work through fixed-term contracts is taken into account. Working through fixed-term contracts can often serve as a mechanism for reconciling life obligations and achieving a balance between private and business life. This is the case at EU level where only every thirteenth person works through a fixed-term contract because they could not find an adequate job with a permanent contract. On the other hand, fixed-term work in Serbia is generally not a choice, but a necessity due to the lack of a better offer, i.e. an indefinite term contract. This is best evidenced by the fact that every fifth temporary employed person in Serbia accepts this type of work only because he/she could not find an adequate job with an indefinite term contract (Eurostat).

### *Employment by the number of working hours*

The number of part-time employees has increased by about 100,000 in the past period. This, in proportion to the growth of total employment, contributed to the share of part-time employment in 2019 (9.6%) being higher than in 2010 (7.1%). However, this share has varied considerably over time. First, due to the consequences of the economic crisis it increased to a double-digit level, and after 2016 it began to gradually decrease and in the last two years to stabilize to approximately 9%.

Involuntary part-time employment is something that persists as a problem in Serbia, given that about 37% of part-time employees do this job only because they failed to find a full-time job. For comparison, the average of this share for EU countries is 24%. Men in Serbia are in a relatively less favorable situation, 45.3% of men workers who work shorter than full working hours accept this kind of employment in necessity, which is the case with 28.7% of women.

### *Precarious employment*

Precarious employment is a concept that refers to employees who are deprived of the existential security and stability that is usually associated with permanent employment. Operational definitions of precarious employment can vary considerably, from highly quantitative to mostly qualitative. A recent study<sup>10</sup> analyzed four dimensions of precarious employment: temporal (job uncertainty), organizational (limited job control), social (limited legal and social protection), and economic (income inadequacy). Based on available statistical data, the research determined the spread of precarious employment in Serbia in all four dimensions. The number and participation of employees in precarious forms of work is growing, primarily temporary workers and temporary and occasional jobs, as well as

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<sup>9</sup> LFS 2010 and LFS 2019, SORS

<sup>10</sup> FCD: Precarious work in Serbia - research results, 2019.

<http://www.centaronline.org/userfiles/files/publikacije/fcd-prekarni-rad-u-srbiji.pdf>

vulnerable employment. Many employees do not have control over the work process, working hours and shift work, the pace of work, the health and safety aspect of work. One third of employees in Serbia have been denied employment rights and / or social security rights. A quarter of employees in Serbia are financially and materially endangered, while half of the employees are the only person employed in the household.

Many workers' rights organizations, including the Center for Decent Work<sup>11</sup>, point to weaknesses in 'flexible' legal institutes of service contracts, temporary and occasional employment contracts, vocational training or internship contracts, employment contracts through student or youth cooperatives, etc. Legal regulations, already deficient, are interpreted too broadly and arbitrarily by employers, this practice is tolerated by state bodies and spreads to the public sector, so that these forms of work are becoming more prevalent, and labor and social rights of those involved are becoming seriously violated.

There are several ways to combat this practice which leads to a further spread of precarious employment - through stronger inspections to ensure that unscrupulous employers comply with existing, however potentially inadequate, legislation; by changing the legal solutions themselves in the direction of limiting the possibilities of using and abusing flexible institutes; and finally, by defining the maximum share of working hours in the total labor fund of employees that employers can provide through flexible contracts.

#### *Employment according to the size of the economic entity*

During the implementation period of the Strategy, significant incentive measures were implemented (within various departments) in order to preserve and improve the small and medium enterprises (SMEs) sector, which represents a kind of locomotive of the economy and plays an important role in creating and opening new jobs. SME support for the purchase of equipment, subsidized loans from the Development Fund of the Republic of Serbia, funds to improve the business environment and increase the competitiveness of SMEs, standardized mentoring programs for micro, small and medium enterprises and entrepreneurs and grants on various bases, is only part of the arsenal of measures implemented in the previous period.

The results of the European Commission's Report on Small Enterprises in Serbia (SBA Fact Sheet 2019)<sup>12</sup> also show that the sector of small and medium enterprises and entrepreneurs plays a significant role in the Serbian economy. According to this source, the share of the SME sector in the total number of companies and the total gross value added created in 2017 was 99.8% and 55.6%, respectively. According to both of these indicators, the SME sector in Serbia records results that are at the level of the average for EU countries (99.8% and 56.3%).

From the aspect of the Strategy, the most relevant data refers to the structure of the company according to the number of employees. Based on the Structural Report on Business Operations of Companies, the SORS keeps records on the number of employees according to the size of business entities.<sup>13</sup> Employees in this sense are considered to be all persons on the payroll, including those who work at home, trainees, paid owners and paid family members, persons who are temporarily absent, those who do not work full time, persons who work on a part-time basis contracts on temporary and

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<sup>11</sup> Analysis of the State of Economic and Social Rights in the Republic of Serbia, 2019, Center for Decent Work, Belgrade

<sup>12</sup> [https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019\\_serbia.pdf](https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/sba-fs-2019_serbia.pdf)

<sup>13</sup> Data on the number of employees according to the size of the economic entity published by the SORS differs to some extent from the data from the SBA Fact Sheet 2019, which have been adjusted to be comparable with EU countries.

occasional jobs and seasonal workers (including persons hired through youth and student cooperatives). Unpaid owners and unpaid family members, persons hired on the basis of service contracts, persons on long-term leave, volunteers, persons who are occasionally hired through employment agencies, as well as members of the management and supervisory board (if they do not have the status of employee)<sup>14</sup> are not considered employees. Data on the number of employees for economic entities classified according to the number of employees - (1) micro 0-9; (2) small 10-49; (3) medium 50-249 and (4) large 250 and more - are shown in the following table.

Table 4 - Number of employees by size of economic entity, 2010-2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Micro	207400	210319	208944	212841	207389	208746	215064	213431	217305
Small	181297	181121	182167	179178	175646	181933	193919	204192	216456
Medium	223215	223545	213809	210609	212378	215874	224883	236938	252191
Large	412884	410037	414818	411030	412105	418720	430776	447849	475625
TOTAL	1024796	1025022	1019738	1013658	1007518	1025273	1064642	1102410	1161577

Source: SORS

Based on the presented data, it can be concluded that the trend of the employment structure according to the size of the economic entity was constant during the implementation of the Strategy. Of the total number of employees (according to the previously mentioned definition), about 60% worked in companies that employ less than 250 workers. The dominance of the SME sector in relation to large enterprises has slightly decreased over time, so that the share of employees in these economic entities decreased from 60% in 2011 to 59.1% in 2018.

A more detailed insight into the structure of the SME sector shows that in 2018 the largest number of workers worked in companies employing between 50 and 249 workers (37%), while micro and small enterprises were fairly uniform in terms of number of employees. The last two types of companies are also the types of companies that have recorded a divergent trend according to the number of employees after 2010. The slight increase in the share of employment in small enterprises (from 30% to 32%) that has occurred over time has occurred at the expense of the decrease in the share of employment in micro enterprises (from 34% to 32%).

### 3.3. Wages

Monitoring the average level and structure of wages provides important information on the quality of the national labor market. Unfortunately, the Strategy primarily focused on 'quantitative' statistics and did not envisage goals related to 'price' labor market statistics, i.e. the level and structure of wages. In this analysis, however, we seek to provide basic information on wage developments in Serbia during the implementation of the Strategy.

Wages in Serbia were characterized by high growth dynamics before the economic crisis in 2008 - according to the SORS real wages recorded twice the growth of GDP in the period 2000-2008. With the

<sup>14</sup> <https://publikacije.stat.gov.rs/G2014/Pdf/G201420057.pdf>



first wave of the economic crisis, wage growth has slowed significantly. Unlike employment, which has been growing steadily since 2012, real average wages were stagnant until 2012, and then declined in real terms until 2016, despite marginal nominal growth.

The largest decrease in real wages was recorded in 2015 and it can be related to fiscal consolidation measures. One of the measures referred to a 10% reduction in salaries in the public sector to all those whose salaries are higher than 25,000 dinars. Given the number of employees in the public sector and the fact that wages in the public sector are higher than in the private sector, the introduction of a kind of solidarity tax has contributed to a real decline in wages of almost 2.5%.

From 2016, real wages in Serbia are growing – moderately at first, followed by slightly faster pace from 2018. During that year, the growth of gross wages compared to the same period last year amounted to 6.0% in nominal terms and 3.9% in real terms. At the same time, net wages increased by 6.5% in nominal terms and by 4.4% in real terms. The somewhat faster growth of net wages is a consequence of the abolition of unemployment contributions at the expense of the employer. Continuity of wage growth followed and accelerated during 2019 when the average gross wage increased by 10.5% in nominal terms and 8.4% in real terms, which is more than twice the growth of the previous year.

*Table 5 - Average monthly wages (gross), 2010-2019*

Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
EUR	460	517	508	537	524	506	516	544	580	643
Purchasing power parity	1042	1095	1143	1134	1138	1128	1121	1126	1155	1282
Dinars	47450	52733	57430	60708	61426	61145	63474	65976	68629	75814
Nominal growth (%)	7,5	11,1	8,9	5,7	1,2	-0,5	3,8	3,9	6,0	10,5
Real growth (%)	0,7	0,1	1,0	-1,9	-1,7	-2,4	2,6	0,9	3,9	8,4

*Source:* SEE Jobs Gateway, based on SORS statistics (RAD survey until 2017 and CROCSI data combined with RAD survey from 2018)

Two factors have significantly contributed to the growth of real wages since 2016 - a continuous increase in the minimum wage and, from 2018, an increase in wages in the public sector. First, one of the measures of fiscal consolidation was the freezing of the minimum wage in the period 2012-2016, with the exception of 2015. Since 2016, the Government has supported the growth of the minimum wage, which has cumulatively increased by about 43% in the four-year period. Considering the estimates that between 300,000 and 400,000 workers receive the minimum wage in Serbia, it is clear that the effect on total wages cannot be absent. Secondly, due to its size, the increase in wages in the public sector had a similar effect. The impact of public sector wage growth on total wage growth was particularly evident in 2019 when public sector wages increased between 8% and 15% during

November, depending on the industry. It should be noted that this increase has further deepened the wage gap between the public and private sectors, which is among the largest in Europe<sup>15</sup>.

A slight decline and stagnation in the first half of the decade followed by moderate and then strong growth of real wages in the second part of the analyzed period influenced Serbia to achieve a modest cumulative growth of real wages of only 10.9% in the period 2011-2019. Therefore, in 2019, Serbia had one of the lowest wages in the Western Balkans, measured in dollars of equal purchasing power (PPP), which take into account differences in living standards between countries. The average gross salary of 1,282 PPP dollars in 2019 puts Serbia only ahead of Albania of all neighboring countries, while it is significantly lower than the average salary in Northern Macedonia (1,373 PPP), Bosnia and Herzegovina (1,485 PPP) and Montenegro (1,554 PPP).<sup>16</sup>

It should be noted that wages were not of primary interest when formulating the Strategy. The strategy did not anticipate their dynamics, nor did it explicitly set goals to be achieved at the end of the period. Due to the well-known link between wage growth, productivity growth, economic growth and employment elasticity, the phenomenon of wage is necessary to consider in the framework of strategic documents (especially long-term) that deal with employment. Therefore, one of the recommendations is to explicitly introduce wage monitoring in the future strategy and define their target dynamics in parallel with employment dynamics.

### 3.4. Labor market indicators in the regional perspective and the potential role of direct investment incentive policy in their dynamics

Significant regional differences in terms of economic development are also reflected in labor market indicators. They are a lasting feature of our economy as a whole and of our labor market, and the Strategy has set a qualitative goal of reducing regional disparities in terms of employment rates and unemployment rates. The Belgrade region is far ahead according to both indicators, followed by the region of Vojvodina and the region of Šumadija and Western Serbia, while the worst situation is in the region of Southern and Eastern Serbia. In order to reduce the deviation of the values of the labor market indicators of each region from the average values to a unique number, we will use the variance which we will then monitor over time to determine whether there has been a decrease or increase in regional differences.

Both in terms of the unemployment rate and in terms of the employment rate the variance oscillates significantly during the observed period, but based on its values in 2019 we can draw two important conclusions. Much smaller regional differences are present in terms of the unemployment rate (variance 5.4) compared to the employment rate (variance 8.2). Second, regional differences in terms of the employment rate are higher in 2019 (variance 8.2) than in 2011 year (variance 3). It can be said that, unlike the beginning of the period, the three remaining regions are much more balanced but that

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<sup>15</sup> Vladislavljević, M. 2019. Econometric analysis of public sector wage premium in Serbia in terms of fiscal consolidation, doctoral dissertation, Faculty of Economics, University of Belgrade.

<sup>16</sup> <https://data.wiiw.ac.at/seejobsgateway-q-95619e8bc081e2dad8b405b65.html>.

However, it should be borne in mind that gross wages in Northern Macedonia include employer contributions, and that in all Western Balkan economies, except Serbia, certain categories of low-paid employees are excluded from the calculation of average wages. Taking this into account, it can be said that wages in Serbia at purchasing power parity do not deviate from the Western Balkan average, while the above-average ones are expressed in current euros.

the leading region, Belgrade region, has further moved away from them. On the other hand, regional differences in terms of the unemployment rate have slightly decreased, considering that the variance of 5.4 in 2019 is lower than 5.7, which was the value of the variance in 2011. In summary, we can conclude that there was a slight increase in regional differences according to these indicators, which in technical sense means that the planned goal was not achieved.

It should be noted here that this does not necessarily mean that the measures taken within and outside the Strategy to reduce regional disparities have had no effect, because without deeper analysis we cannot know what a counterfactual reality would look like without regional policy. Of course, a similar note applies in the opposite direction - when the values targeted by the Strategy are achieved, it still does not necessarily mean that it happened as a result of the implementation of the Strategy.

*Table 6 - Basic labor market indicators for the population 15-64 by regions, 2011-2019*

Region	Employment rate (%)									
	2011	2012	2013	2014	2014	2015	2016	2017	2018	2019
Belgrade region	47.5	46.9	50.8	50.7	52.8	53	56.9	60.3	62.9	64.9
Region of Vojvodina	44.2	43.2	45.7	49.3	50.5	51.7	54.4	57.2	59.1	60.7
Region of Šumadija and Western Serbia	46.6	47.3	47.1	51.1	52	53	55.8	57.2	58.1	59.8
Region of Southern and Eastern Serbia	43.2	43.8	46.8	46.9	47	49.7	53.3	54.2	54.6	56.9
	Unemployment rate (%)									
	2011	2012	2013	2014	2014	2015	2016	2017	2018	2019
Belgrade region	20	21.6	18.1	17.6	17.4	18.9	15.9	13.5	11	8.4
Region of Vojvodina	23.9	26.7	24.3	20.3	20.3	16.9	15.5	12.4	10.7	9.3
Region of Šumadija and Western Serbia	23.8	23.7	23.8	18.7	19.2	17.8	15.7	14.6	14.9	12.5
Region of Southern and Eastern Serbia	26.7	26.2	25.3	22.6	23.3	19.7	16.8	16.2	17.3	14.1

*Source: LFS, SORS.*

The labor market indicators presented in the table above shed light on one segment of the regional labor market context - quantitative. However, in addition to the number of employees, it is important to take into account the price aspect of the labor market, i.e. wages. In order for such a thing to be possible, it is necessary to approximate the wage fund in each region and monitor it over time. The wage fund is calculated as the product of the average net wage and the number of registered

employees in each region. In this way, information is obtained on the wage fund for each region, which, after being put in relation to the total wage fund, enables monitoring of the relative share of the wage fund for each of the four regions in the total wage fund.

*Table 7 – Wage fund by region, 2011-2019*

Region	2011	2012	2013	2014	2015	2016	2017	2018**	2019
Net wages by regions (in RSD)									
Belgrade region	46986	51121	54103	55429	55551	57717	60142	60689	68140
Region of Vojvodina	36950	40421	42935	43092	43050	44646	46215	47095	51965
Region of Šumadija and Western Serbia	32175	34981	37425	37504	37066	38315	40024	42963	46826
Region of Southern and Eastern Serbia	32941	35874	37786	38270	38088	39959	41402	44130	48260
Registered employment by regions (in thousands)									
Belgrade region	576.9	566.8	563.0	559.2	670.3	669.8	691.6	718.0	742.1
Region of Vojvodina	460.6	448.0	443.3	443.4	506.6	511.3	524.6	545.9	550.8
Region of Šumadija and Western Serbia	403.1	405.1	403.5	396.1	470.6	475.4	486.2	500.5	508.1
Region of Southern and Eastern Serbia	305.5	307.2	305.4	299.0	342.2	353.2	360.3	366.7	372.2
Wage fund (in millions)									
Belgrade region	27106	28976	30460	30998	37236	38661	41592	43575	50568
Region of Vojvodina	17019	18107	19032	19107	21809	22828	24244	25707	28623
Region of Šumadija and Western Serbia	12970	14171	15102	14856	17442	18215	19458	21504	23790
Region of Southern and Eastern Serbia	10065	11020	11539	11441	13032	14115	14916	16183	17960
Mid-year population estimates (average in thousands)									
Belgrade region	1658	1664	1670	1675	1680	1684	1687	1690	1694
Region of Vojvodina	1933	1922	1912	1902	1892	1881	1872	1862	1852

Region of Šumadija and Western Serbia	2033	2018	2003	1988	1972	1957	1941	1925	1909
Region of Southern and Eastern Serbia	1612	1597	1582	1567	1552	1536	1521	1506	1490
Wage fund per capita									
Belgrade region	16347	17411	18244	18506	22165	22959	24652	25781	29850
Region of Vojvodina	8805	9421	9953	10046	11529	12134	12954	13807	15454
Region of Šumadija and Western Serbia	6379	7021	7539	7473	8844	9309	10024	11172	12465
Region of Southern and Eastern Serbia	6243	6900	7295	7301	8399	9188	9806	10748	12050
The share of the regional wage fund in the total wage fund per capita									
Belgrade region	43.3%	42.7%	42.4%	42.7%	43.5%	42.8%	42.9%	41.9%	42.8%
Region of Vojvodina	23.3%	23.1%	23.1%	23.2%	22.6%	22.6%	22.6%	22.4%	22.1%
Region of Šumadija and Western Serbia	16.9%	17.2%	17.5%	17.2%	17.4%	17.4%	17.5%	18.2%	17.9%
Region of Southern and Eastern Serbia	16.5%	16.9%	17.0%	16.9%	16.5%	17.1%	17.1%	17.5%	17.3%

\* Change in methodology in registered employment

\*\* Change in methodology in the calculation of wages (without affecting the results at this level of data aggregation)

Source: SORS.

Based on the data on the total labor fund, a similar, but somewhat more favorable, conclusion can be made, but with certain adjustments described below, as well as on the basis of basic labor market indicators. Regional inequality has not changed significantly over time. More precisely at the end of the observed period in relation to the reference year 2011, the Belgrade region increased its advantage in relation to the remaining three regions, but the wage fund between regions in 2019 is much more balanced. Although it recorded the biggest decline, the region of Vojvodina is still ahead of the region of Šumadija and Western Serbia, whose wage fund increased slightly, and the region of Southern and Eastern Serbia, whose share of labor remained unchanged.

It should be borne in mind that the presented shares of regional wage funds do not take into account the different dynamics of the total population. Given that there has been a significant decline in population in two less developed regions, where the processes of demographic decline and migration are more dynamic, when we divide the wage fund by the number of inhabitants, the results are

reversed and strongly indicate that there has been some reduction in regional disparities. Namely, between 2011 and 2019, the two more developed regions reduced their share in the national wage fund per capita from 43.3% to 42.8% (Belgrade region) and from 23.3% to 22.1% (Vojvodina). On the other hand, this share increased in the region of Šumadija and Western Serbia (from 16.9% to 17.9%) and in the region of Southern and Eastern Serbia (from 16.5% to 17.3%).

The policy of encouraging direct investments (primarily foreign ones) has been implemented in Serbia for more than 15 years and one of its main goals is to reduce regional disparities by directing them towards less developed municipalities. In the second half of the implementation period of the Strategy, in 2016, the Law on Investments was adopted, the goals of which were to improve the investment environment in the Republic of Serbia and encourage direct investments in order to strengthen economic development and employment growth. Observed from 2016 until the beginning of October 2020, 121 agreements on the allocation of incentive funds were signed. The total value of the planned investments is just over 2.5 billion euros, while the approved state incentives for those purposes amount to 459 million euros. Increased investment activity was especially evident in the last 2 years when about 60% of all approved incentives in the previous 5 years were realized. Based on these 121 contracts the planned was to open about 46,000 new jobs.

In addition to regulating the general legal framework for investments in the Republic of Serbia it turned out that this Law is a good instrument for channeling investments in less developed regions, which encourages more balanced regional development. Previously said can be best seen on the basis of newly created jobs, the number of which in all observed years (except 2020, which has not yet been completed) was the highest in one of the two least developed regions. The years 2017 and 2018 stand out, when, in the first case 40% of all new jobs were created in the region of Southern and Eastern Serbia, while in the second case 73% of all new jobs were created in the region of Šumadija and Western Serbia. Observed in general, out of all newly created jobs on this basis, 31% are located in the region of Šumadija and Western Serbia and the region of Southern and Eastern Serbia, respectively. A significantly lower percentage of jobs was created in the Belgrade region (17%) and the region of Vojvodina (21%) which follows as the second most developed region.

There is a slightly different picture if the distribution of the values of approved incentives by regions is observed. In that case, the Belgrade region and the region of Vojvodina, as 2 more developed regions, become leaders with shares of 25% and 34%, respectively. However, these are only a few financially generous projects that do not create a large number of new jobs, the neglect of which would lead to the same order of the region as in the case of job distribution. Below are the absolute numbers and the structure of investment projects that are co-financed with incentives by region.

*Table 8 – Distribution of investment projects, incentives and jobs created, by region, 2016-2020 (until October 5th)*

	2016			2017			2018			2019			2020 (until October 5th)			TOTAL		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Belgrade region	1	3.1	550	5	15.1	2109	4	4.3	519	8	61.5	3565	9	29.4	1445	27	113	8188
Region of Vojvodina	6	22.6	4044	5	5.8	1016	4	14.2	759	10	28	1976	5	83.9	1766	30	154	9561
Region of Šumadija and Western Serbia	5	21.3	4870	4	1.9	532	10	38.5	5611	12	17.3	2650	4	16.5	572	35	95	14235

Region of Southern and Eastern Serbia	7	34.2	5546	5	17.6	2436	5	5.5	847	10	19.7	4320	2	17	1099	29	94	14248
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Source: Author's calculations based on data from the Ministry of Economy.

A - Number of contracts; B - The amount of incentives in millions of euros; C – Jobs created.

Table 9 - Distribution of investment projects, incentives and jobs created (in%) by regions, 2016-2020 (until October 5)

	2016			2017			2018			2019			2020 (until October 5th.)			TOTAL		
	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C	A	B	C
Belgrade region	5	4	4	26	37	35	17	7	7	20	49	28	45	20	30	22	25	17
Region of Vojvodina	32	28	27	26	14	17	17	23	10	25	22	16	25	57	36	25	34	21
Region of Šumadija and Western Serbia	26	26	32	21	5	9	43	62	73	30	14	21	20	11	12	29	21	31
Region of Southern and Eastern Serbia	37	42	37	26	44	40	22	9	11	25	16	35	10	12	23	24	21	31

Source: Author's calculations based on data from the Ministry of Economy.

A - Number of contracts; B - The amount of incentives; C – Jobs created.

From the sectoral job creation point of view of almost 80% of investments were placed in the activities of the manufacturing industry. These are typically labor-intensive activities with below-average incomes. While from the point of view of creating new value and the potential role of FDI as an engine of modernization of the Serbian economy, this is not a desirable development, from the point of view of increasing employment and reducing regional differences, these outcomes are not undesirable.

From the above presented data, it can be assumed that direct investment support measures have a great impact on the volume, as well as on the sectoral, qualification and regional structure of employment. The share of subsidies from the Development Agency of Serbia in GDP amounts to about 12-15 billion dinars, or about 0.3-0.4% of GDP. That is less than 1% of the total public expenditures of Serbia, but also more than the total expenditures for social assistance, and at least three times more than the expenditures on active labor market measures. As presented, these incentives are designed to promote labor-intensive investments by tying a subsidy to covering a certain percentage of “eligible costs of two-year gross wages”. The percentage and maximum amount of subsidies per new employee are differentiated depending on the level of development of the region in which the direct investment is realized.

It is important to understand that direct investment support measures are conceptually aimed at supporting economic development and productive employment in the private sector, leaving investors free to choose employees, regardless of their labor market status and demographic characteristics. This means that support for direct investment, as a rule, does not solve the issue of inclusion of vulnerable groups in the labor market, which remains the task of active labor market policy. However, the fact that the model of subsidizing the gross costs of employees' salaries has been chosen shows that policy makers are aware that high labor taxation costs are a limiting factor for investments.

In Serbia, the effective burden of taxes and contributions on labor in the high and low wage sectors, i.e. high and low average labor costs, is almost the same. When we look at the share of taxes and contributions in the total labor costs by activities there is almost no difference between the total percentage allocated by the financial sector in relation to, say, the textile industry. The extremely high tax burden in low-wage activities in Serbia is a reflection of the proportional system of labor taxation, the structure of which is dominated by social security contributions, which was established in 2001. This system reduces the competitiveness of labor-intensive activities and therefore discourages investment in them, which affects the growth of regional inequalities, and also makes lower-paid formal work unprofitable for workers and therefore promotes informal employment and inactivity.

In fact, in recent times, direct investment has become increasingly concentrated in labor-intensive sectors of lower wages and lower productivity. A recent World Bank analysis from 2019 focuses specifically on foreign direct investments and comes to the same conclusion - while the effect of (subsidized) FDIs on employment is growing, their effect on labor productivity is weakening, although these companies are still on average more productive than domestic.<sup>17</sup>

The positive spillover effect is also important. For an example, strong state support for investment in Kragujevac's FIAT not only directly increased the growth of industrial production, but also revived the entire automotive parts production sector, whose production and export potential have meanwhile grown much faster than FIAT. Thus, for example, thanks to subsidies, about 20,000 jobs were created in the production of automobile parts and about 13,000 jobs in the textile industry. It is necessary to understand here that without subsidies, and with the current system of labor taxation, these investments would probably not have taken place. On the other hand, such a policy increases the risk of withdrawal of investors after the expiration of subsidies. Also, businesses in the same sector may face very different labor costs, which certainly introduces market distortions.

Thus, the policy of direct investments support, which was initially conceived as a driver of productivity growth, modernization and improvement of the competitiveness of the Serbian economy, has become an instrument for correction of inadequate labor taxation system, helping to create and maintain employment in labor-intensive sectors and, to a lesser extent, helping to mitigate regional differences in investments, employment and wages. In other words, other things being equal, without subsidized direct investments, unemployment, poverty and regional inequalities would be higher than with them. Therefore, subsidies to direct investments are not, in most cases, an unnecessary expense.

Although the impact of direct investment subsidies presented in this way is basically positive, the optimal approach would certainly be one that would support investments and employment in labor-intensive sectors through tax policy, while direct investment support through subsidies would be focused on investments with the greatest value-added effects, productivity growth, creation of export clusters and growth of competitiveness.

Taking into account the trend of strong growth of regional differences in the decade before the implementation of the Strategy<sup>18</sup>, it can be concluded that regional development policy, supported but not decisively followed by the implementation of the Strategy, was successful in sense that it managed to stop their spread and even partially reduce the differences in the labor market if the regional wage fund per capita is taken as the criterion of success.

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<sup>17</sup> <http://pubdocs.worldbank.org/en/782101580729358303/Serbia-CEM-Synthesis-web.pdf>

<sup>18</sup> Arandarenko, M. and Jovičić, M., 2007. Regional labour market differences in Serbia: Assessment and policy recommendations. *European Journal of Comparative Economics*, 4(2).



## 3.5. The main vulnerable groups in the labor market

### 3.5.1. Women

#### *Labor market trends*

Women make up the majority of Serbia's population. The numerical advantage of women is more pronounced if the adult population is observed, while within the working age population, it is estimated that only about 5,000 more women than men live in Serbia<sup>19</sup>. However, regardless of the gender equality of the working age population, the participation of women among the active and employed population is significantly below 50%. Given that labor market participation and employment contribute greatly to economic independence and social inclusion, it is clear why the structure of the active and employed population should correspond to the gender structure of the total population. The fact that women represent a minority among the active and employed, while participating with more than 50% in registered unemployment, is the main reason why they are characterized as a vulnerable group in the labor market.

*Table 10 – Basic labor market indicators for women of working age (15-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Absolute numbers (in thousands)								
TOTAL	2377	2345	2315	2414	2377	2344	2314	2286	2254
Active	1205	1205	1233	1338	1325	1363	1380	1386	1382
Employed	912	897	930	1058	1070	1136	1176	1190	1223
Unemployed	293	309	303	281	255	227	204	197	159
	%								
Activity rate	50.7%	51.4%	53.3%	55.4%	55.7%	58.2%	59.6%	60.6%	61.3%
Employment rate	38.3%	38.2%	40.2%	43.8%	45.0%	48.5%	50.8%	52.0%	54.3%
Unemployment rate	24.3%	25.6%	24.6%	21.0%	19.2%	16.7%	14.8%	14.2%	11.5%

*Source:* Eurostat based on LFS data

The unfavorable position of women at the beginning of the implementation of the Strategy is also indicated by the basic indicators of the labor market. The activity rate of women of working age was 8.2 percentage points lower than the activity rate of men in 2010. An even more unfavorable situation was in terms of the employment rate, where women lagged behind men by 10.7 percentage points. However, the current decade has been marked by an improvement in the absolute and relative position of women. The recovery of the labor market from the consequences of the economic crisis was not discriminatory. All basic indicators of the labor market of female population were moving in the same direction as the indicators of the total population. Thus, women increased the activity rate

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<sup>19</sup> LFS 2019, SORS

and employment rate in the category of persons aged 15 to 64, which were the two operational goals envisaged by the Strategy.

*Table 11 - Basic labor market indicators for the total and female working age population (15-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Female activity rate (%)	50.7	51.4	53.3	55.4	55.7	58.2	59.6	60.6	61.3
Total activity rate (%)	59.5	60.3	61.7	63.4	63.7	65.6	66.7	67.8	68.1
Total / female ratio	1.17	1.17	1.16	1.14	1.14	1.13	1.12	1.12	1.11
Female employment rate (%)	38.3	38.2	40.2	43.8	45.0	48.5	50.8	52.0	54.3
Total employment rate (%)	45.4	45.4	47.6	50.8	52.1	55.2	57.3	58.8	60.7
Total / female rate ratio	1.19	1.19	1.18	1.16	1.16	1.14	1.13	1.13	1.12
Female unemployment rate (%)	24.3	25.6	24.6	21.0	19.2	16.7	14.8	14.2	11.5
Total unemployment rate (%)	23.6	24.6	22.9	19.9	18.2	15.9	14.1	13.3	10.9
Female / total rate ratio	1.03	1.04	1.07	1.06	1.06	1.05	1.05	1.07	1.06

*Source: Author's calculation based on Eurostat data*

Not only have women improved their position since the beginning of the period, but they have also reduced the relative lag behind the total population. While the activity rate of the working age population at the beginning of the period was 1.17 times higher than the female activity rate, the stated ratio was reduced to 1.11 in 2019. A similar trend was observed in the case of the ratio of the employment rate of the total and female population, which decreased from 1.19 to 1.12. It is interesting to say that the improvement of the relative position of women in the labor market, according to the above indicators, was gradual but continuous, with women further reducing the relative gap with the total population from year to year.

A slight deterioration in the relative position of women was noted in the case of the unemployment rate ratio, as the female unemployment rate, which in 2011 was 1.03 times higher than the unemployment rate of the total population, is currently 1.06 times higher. However, due to the large variability of relative indicators in the case of relatively small numbers (which is the case when it comes to the unemployment rate), it would be more accurate to observe the absolute gap. Given the negative sign of the unemployment rate, improving women's performance would mean reducing the gap with the general population. In that case, the "advantage" of 0.7 percentage points in the unemployment rate, that women had at the beginning of the period, was reduced to 0.6 percentage points – which means that essentially it remained unchanged. In summary, the ambivalence of absolute and relative indicators of the unemployment rate and the unambiguity of these indicators in the activity and employment rates indicate an improvement in the relative position of women in the period of implementation of the Strategy.

#### *The impact of active labor market policy*

Women are the largest vulnerable group in the labor market. The abundance of women has also influenced the heterogeneity of this group, within which women differ in age, education, region, etc.

As a result, and in accordance with international experience, women in Serbia are not targeted by specific programs that apply exclusively to them. Apart from activities such as the promotion of women's entrepreneurship, women are mainly included in general labor market programs in which significant attention was paid to the gender structure of the participants during the design.

At the end of 2011, about 388,000 women or 52% of all unemployed persons were registered with the National Employment Service. Registered female unemployment, as a consequence of the economic crisis grew until 2013 when it reached a record 393,500. This was followed by a continuous decline in the number of unemployed women, amounting to close to 278,000 registered with the NES at the end of 2019. Although the number of unemployed women has drastically decreased in the past period, the participation of women in registered unemployment first stagnated until 2017, and then increased in the last two years, so in 2019 this share was around 55%.

The reference value from which the Strategy started refers to 2009, when 80,996 women were included in all active labor market policy measures. The operational goal of the Strategy was to increase the number of women included in these measures and this goal, as such, was not achieved. There are two reasons for this - first, the absolute number of women on record has been reduced by more than 100,000. Second, the total funding for ALMP measures has been reduced rather than significantly increased, as planned by the Strategy. The decrease in the number of women included in all ALMP measures lasted until 2014 and coincided with the trend in the total number of unemployed. After the fiscal consolidation measures in 2015, together with the increased inclusion of all unemployed persons, the number of women involved increased dramatically by about 21,000 compared to the previous year (from 58,417 to 79,631). With small oscillations, this number stagnated in 2019 when there were 79,283 women involved or only about 1,700 less than in 2009. However, the fact that the number of women involved in ALMP financial measures, not counting short-term service activities, in 2019 was at the level of only 52.5% of the number from 2011, is far more unfavorable.

*Table 12 - Active labor market policy indicators for the female population*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of women on record	388443	392466	393500	379066	371972	360877	324977	294978	277678
Participation in relation to the total	52%	52%	51%	51%	51%	51%	53%	53%	55%
Number of unemployed women included in all ALMP	82449	77087	64601	61653	79843	79219	80646	83860	79663
Participation in relation to the total	53%	53%	53%	54%	53%	53%	54%	54%	56%
Total number of women involved in financial ALMP	24832	11619	9108	4494	12963	11593	11718	14099	13065
Participation in relation to the total	51%	48%	51%	49%	49%	51%	51%	53%	55%
The total number of employed women from the NES records	95360	106558	113089	122491	126660	137304	138152	139117	131562
Participation in relation to the total	52%	52%	53%	53%	51%	52%	51%	53%	54%

Source: NES

From the point of view of the inclusion of women as a vulnerable group, the relative data on the participation of women in ALMP measures, both total and financial, is much more relevant in relation to the total number of unemployed persons. When it comes to participation in all measures, positive

gender discrimination is noticeable. The representation of women in ALMP measures was around 53% until 2018, and it has increased significantly in 2019, when it was 56%. Consequently, from this aspect we can say that the target planned by the Strategy has been unequivocally achieved. Over time, women's participation in financial measures also increased from 51% in 2011 to 55% in 2019, which is particularly significant given the far stronger real effects on future employment that these measures produce compared to service-type measures.

Perhaps the most important indicator of whether a particular vulnerable group has been treated with sufficient attention is the ratio of share of that group in total unemployment and its share in all ALMP measures, and especially in ALMP financial measures. Given that this is a vulnerable group, it is necessary that the latter share be at least equal to, if not greater than, the former. In this way, it is shown whether the vulnerable group is more intensively targeted than the others. In this respect, the active labor market policy directed towards women can be positively assessed, because the participation of women in all measures was 1-2 percentage points higher than their share in the total number of unemployed during the entire period. The same cannot be said for the share of women in financial measures, which in the observed period was always lower or equal to the share of women in the total number of unemployed registered.

The increased employment of women from the records of the National Employment Service was also pointed out as a special goal of the Strategy. Although the reduction in the number of women registered at NES could have been an aggravating circumstance for achieving this goal, the number of employed women from the register has increased in the previous period. The continuous growth lasted until 2018, when about 139,000 women from the record were employed. A slight decline occurred in 2019, when 131,562 women from the record were employed, but this is still significantly higher than the reference number of 75,541 from 2010. The gender structure of persons employed from the register is also dominated by women, whose participation ranged from 51.3%, up to a record 54.1% recorded in 2019.

We can say that active labor market policy programs have to some extent contributed to improving the absolute and relative position of women in the labor market and reducing the gap between men and women during the period of implementation of the Strategy. However, it should be emphasized that, in addition to active labor market policy measures and other exogenous factors, the improvement in position of women on the labor market, primarily in terms of activity and employment, has also a result of institutional changes. The most direct impact on the activity of women on the labor market had the legal change in the time limit for exercising the right to a pension, but also the introduction of actuarial penalties for early retirement. The continuous increase in the retirement age has undoubtedly increased the activity and employment of women by prolonging, willingly or unwillingly, the attachment of the cohort of older women to the labor market.

Broadly speaking, and also relevant to position of women in the labor market, the principles of gender equality have been operationalized over the past decade in all national laws, regulations and strategies, and the institutional infrastructure for gender equality is well developed.

The Coordination Body for Gender Equality operates within the Government of the Republic of Serbia, and is headed by a Minister in the Government. This body directs the work of public administration bodies and other institutions with the aim of promoting the status of women and men in Serbia. The Gender Equality Strategy 2016-2020 was adopted with the aim of supporting the strengthening of women's employment, entrepreneurship and economic empowerment, as well as to develop measures aimed at improving the status of groups facing discrimination on several grounds. The obligation to introduce gender responsive budgeting (GRB) was first introduced in late 2016, and

authorities at all levels should meet it by 2020 at the latest. According to a recent estimate (UN Women, 2019), in 2018 35 institutions at the national and 18 at the provincial level implemented the GRB in their 2019 budgets through 76 programs and 141 gender sensitive budget targets.

### 3.5.2. Youth

#### *Labor market trends*

According to the Law on Youth, this category includes people between the ages of 15 and 30. Young people are treated in this way by most relevant institutions such as the Ministry of Youth and Sports, the National Employment Service, etc., and so certain goals in the Strategy are defined for this age group. However, according to the definition of the International Labor Organization, which is used when publishing data from the Labor Force Survey in Serbia, young people represent a somewhat narrower group that includes people aged 15 to 24. Precisely for this reason, the goals for which the Labor Force Survey is envisaged as a source refer to persons between the ages of 15 and 24, while the goals monitored through the data of the National Employment Service refer to a wider category of young people (15-30). The trend of basic labor market indicators for a wider category of young people (15-29 according to the LFS concept) will be presented in the Annex.

The starting position of young people is the worst of all (larger) vulnerable groups in Serbia. Young people were one of the biggest losers of the economic crisis because in the period 2008-2011 the employment of these persons decreased proportionally the most, and the unemployment increased the most. In this way, young people already at the beginning of the implementation of the Strategy significantly lagged behind the performance of the total population. The activity rate of the working age population was more than 2 times higher, and the employment rate was even more than 3 times higher than the reference rates of young people. The unenviable starting position of young people in Serbia also reflected in the fact that they lagged far behind the performances of their peers living in the European Union. Comparing the average activity rate and the employment rate of young people from the EU and Serbia, we come to the conclusion that they are 1.5 and 2.5 times higher in favor of people aged 15-24 living in the EU.

*Table 13 - Basic indicators of the youth labor market (15-24)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Absolute numbers (in thousands)								
TOTAL	833	797	755	792	772	756	740	727	715
Active	238	239	219	228	227	229	227	218	212
Employed	117	117	111	120	129	149	155	153	154
Unemployed	121	122	108	108	98	80	72	65	58
	%								
Activity rate	28.5%	30.0%	29.0%	28.8%	29.4%	30.3%	30.7%	30.0%	29.7%
Employment rate	14.0%	14.6%	14.7%	15.1%	16.7%	19.8%	20.9%	21.1%	21.5%
Unemployment rate	50.9%	51.2%	49.4%	47.3%	43.2%	34.9%	31.9%	29.7%	27.5%

Source: Eurostat

Observing the trends in the labor market in the past period, it can be seen that young people have (to some extent) improved their initially very bad position. Most progress has been made in terms of the unemployment rate, which has almost halved from 2012 levels. A similar improvement was achieved in the case of the employment rate, which has been growing steadily since 2011 and was 1.5 times higher at the end of the period. The smallest progress was made in the field of youth activation, considering that their activity rate almost stagnated in a ten-year period, and in 2019 it was higher by only 1.2 percentage points compared to the level in 2011.

Young women (15-24) in Serbia represent a multiple vulnerable category in the labor market. This statement is supported by the values of basic labor market indicators at the beginning of the observed period when the unemployment rate of young women was as high as 57.2%. The relative position of young women is unfavorable also in the case of the employment rate, which, unlike 14% recorded for the total young population, in 2011 was at a single-digit level. Compared to their peers, young women also have relatively greater difficulties with activation in the labor market, given that their activity rate in 2011 was about 8 percentage points lower than the same rate of the total young population. Like the total young population, the greatest progress in the observed period recorded by young women was in terms of unemployment rate and employment rate, which halved and doubled, while the smallest progress was achieved in the activity rate, which increased by only 2 percentage points in ten years.

Observed through the prism of operational goals, young people did not manage to reach the values foreseen by the Strategy in 2019 according to any indicator. However, the year-on-year pace of activity, employment and unemployment rates is such that the real values of youth labor market indicators could be expected to approach the planned values of the Strategy. Despite large reduction in the unemployment rate, the target value of 24% was not reached in 2019. However, judging by the pace of all indicators, the target unemployment rate in 2020 seems to be much more achievable than 30.7% and 23.3% which are targets for the activity rate and employment rate, respectively. Of course, it should be said that due to the situation regarding the pandemic, it is not realistic to expect that any target value will be reached, but also that the pandemic itself could not be foreseen by the Strategy.

Table 14 - Basic labor market indicators for young people (15-24) and the working age population (15-64)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Activity rate 15-24 (%)	28.5	30.0	29.0	28.8	29.4	30.3	30.7	30.0	29.7
Activity rate 15-64 (%)	59.5	60.3	61.7	63.4	63.7	65.6	66.7	67.8	68.1
Rate ratio 15-64 / 15-24	2.09	2.01	2.13	2.21	2.16	2.16	2.17	2.26	2.30
Employment rate 15-24 (%)	14.0	14.6	14.7	15.1	16.7	19.8	20.9	21.1	21.5
Employment rate 15-64 (%)	45.4	45.4	47.6	50.8	52.1	55.2	57.3	58.8	60.7
Rate ratio 15-64 / 15-24	3.24	3.10	3.24	3.36	3.12	2.79	2.75	2.79	2.82
Unemployment rate 15-24 (%)	50.9	51.2	49.4	47.3	43.2	34.9	31.9	29.7	27.5
Unemployment rate 15-64 (%)	23.6	24.6	22.9	19.9	18.2	15.9	14.1	13.3	10.9
Rate ratio 15-24 / 15-64	2.16	2.08	2.15	2.38	2.37	2.19	2.27	2.24	2.52

Source: Author's calculation based on Eurostat data

When it comes to the relative position of youth, we can say that it has not improved in general in relation to the initial period. The relative deterioration is primarily noticeable in the domain of activity rate and unemployment rate. That there is a problem with the activation of the young population is also indicated by the relationship between the activity rate of the working age population and the activity rate of young people. The initially unfavorable ratio of 2.09 in 2011 increased to 2.3 in 2019, which means that the activity rate of the total population is 2.3 times higher than the activity rate of persons aged 15-24. Part, but not all, of the gap can be explained by the prolonged participation of young people in education. However, the decrease in the participation of young people not in education, employment, or training w (NEET), can be assessed as positive. From about 180,000 young people who were in this status in 2011, in 2019 there were about 110,000, i.e. the NEET rate decreased from 21.3% to 15.3%. This sheds some more light on other youth performances - it can be said that the lag in achieving the goals of the Strategy related to employment and activity comes from the secular growth of youth participation in education, which should be valorized in their easier transition from school to work, greater productivity and better quality of employment after graduation.

Given that the NEET youth rate was not included in the operational quantitative indicators of the Strategy, it would be good to include it in the new Strategy. In a recent project developed for the needs of the ETF (2020), FREN also recommended the introduction of long-term NEET monitoring, as a more precise measure of monitoring young people at risk of permanent job abandonment and loss of employability.

The gap between young women and women aged 15-64 was and remains larger than in the case of the total young population and the population aged 15-64. The lag is particularly visible in terms of employment, where the employment rate of women of the working age in 2011 was about 4.3 times higher than the employment rate of young women. A slightly more favorable ratio (2.45) was recorded for the activity rate, while young women had a 2.3 times higher level of unemployment than the working-age women. The change in the relative position of young people during the implementation of the Strategy was not discriminatory, as the direction of change of young women corresponded to the direction of change of the total young population. In other words, the only improvement in the relative position of young women was in the domain of employment rate (decrease in the value of the ratio from 4.3 to 3.4), while deterioration was recorded in the area of the activity rate (increase in the value of the ratio from 2.4 to 2.7) and unemployment rates (increase in the value of the ratio from 2.3 to 2.6).

Returning to the technical aspect of achieving the target values set by the Strategy, the largest deterioration in the relative position was recorded in the case of the unemployment rate, with the ratio of youth unemployment and working age population increasing from 2.16 to 2.52 at the end of the period. The ratio of the two rates was one of the special goals defined within the Strategy. The reference value to be reached in 2020 was 2.1. It is clear that even without a pandemic, the predetermined level would be difficult to achieve.

Of all the indicators, the only improvement in the relative position of young people was recorded on the basis of the employment rate. According to this indicator, young people reduced the gap with the working age population from 3.24 to 2.82. The improvement in the relative position is especially noticeable after 2014, while in the last 4 years the value of the ratio stood at approximately the same level.

### *The impact of active labor market policy*

Due to the deteriorating performance of the young population in the labor market, especially during the financial crisis 2008-2012 following the example of the Youth Guarantee<sup>20</sup> program implemented in the EU countries, a significantly cheaper version reminiscent of this program was applied in Serbia - the Youth Service Package. The implementation of this package began in 2013 and since then it has been the backbone of an active labor market policy for young people. This package envisages, above all, more intensive cooperation between the advisors of the National Employment Service and unemployed youth. In a relatively short period of time, an individual employment plan was created for the young people from the NES records and an assessment of employability was determined, on the basis of which, according to necessity and financial possibilities of the NES they were included in active labor market policy measures. The two measures that can be singled out as predominantly intended for young, according to the structure of participants, were Professional Practice and Acquisition of Practical Knowledge. While the Professional Practice is not only intended for young people, not only in terms of the structure of participants, but also in terms of design, the Acquisition of Practical Knowledge is primarily intended for persons without professional qualifications.

*Table 15 - Indicators of active youth labor market policy (15-30)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of young people (15-30) on record	205206	207829	209201	196259	183600	171245	138391	117078	104149
Participation in the total number	28%	27%	27%	26%	25%	24%	22%	21%	21%
Number of unemployed youth (15-30) included in all ALMP measures	79359	65322	54728	47155	59765	58410	55241	52026	45076
Participation in the total number	51%	45%	45%	41%	39%	39%	37%	34%	31%
Total number of young people (15-30) involved in financial ALMP measures	28484	11220	7778	3123	11415	9896	9511	9790	8754
Participation in the total number	59%	47%	43%	34%	43%	44%	41%	37%	37%
The total number of employed young people (15-30) from the NES records	76252	84048	85764	91284	95134	99952	95230	88062	77932
Participation in the total number	42%	41%	40%	39%	39%	38%	35%	34%	32%

Source: NES

By the end of 2011, there were about 205,000 people between the ages of 15 and 30 on the records of the National Employment Service. The number of unemployed grew until 2013, when it reached its maximum of about 209,000, followed by a continuous decline that continued even in 2019, when there were almost twice as many young people on the records than at the beginning of the period. However, the number of young people on the register decreased proportionally faster than the total number of unemployed, as evidenced by the data on the constant decrease in the participation of young people

<sup>20</sup> <https://ec.europa.eu/social/main.jsp?catId=1079&langId=en>



in the register of unemployed since 2011. While at the beginning of the period, 27.5% of persons from the records were young people, in 2019, that share dropped to 20%. This positive information must be considered contextually, because the share of employed youth in total employment also decreased in the observed period.

However, the situation is much more unfavorable if we look at the number of young people involved in all active employment policy measures. Seemingly paradoxical, but after the beginning of the implementation of the Youth Package, the participation this group in ALMP measures began to decline rapidly. Thus, it was reduced from 51% in 2011 to only 31% in 2019. It should be borne in mind that the share of young people in the total number of unemployed also decreased, but the unfavorable circumstance is that their participation in all measures decreased at a much faster pace. The decrease is also noticeable if absolute numbers are observed, since compared to the reference 61,279 persons in 2009, 10 years later about 16,000 fewer young people were included in ALMP measures. The situation remains unchanged if the participation of young people in financial measures, which are much more relevant for employment, is observed. The massive coverage of the "First Chance" contributed to the fact that almost 60% of all participants in financial measures are persons younger than 30 years. With the abolition of this program, the share of young people has drastically decreased and was only 37% in 2019, which is still above their share in the total registered unemployment, which is 21%.

Positive trend was noted in terms of the number of young people from the records of the NES who were employed in each year. Compared to the reference 59,082 in 2010, this number is significantly higher in all years for which data are available. Although the share of young people in the total number of persons employed from the NES records has slightly decreased in recent years, still every third person employed from the records of NES is between the ages of 15 and 30. Of course, bearing in mind that the youth labor market behaves extremely pro-cyclically, this indicator, except for very specific vulnerable groups such as Roma and PWDs, is mainly a reflection of the labor market situation, rather than a direct indicator of ALMP success.

In general, the biggest contribution of the Youth Services Package is in the increased participation of young people in NES services, such as career counseling, employment mediation, creation of individual employment plans, etc. These services are especially valuable to young people regardless of the fact that their direct effect on employment is practically impossible to measure exactly. On the other hand, the implementation of the Package coincided with the reduction of youth participation in ALMP financial measures. The deterioration of the relative position of young people in the labor market can be related to insufficiently intensive targeting of young people in ALMP measures to some extent. The unfavorable fact is that these two participations have increasingly converged over time, so the positive difference of almost 20 percentage points in 2013, almost halved in 2019. Given that young people are the only (larger) vulnerable group that has continuously recorded a deterioration in its relative position, an active fact-based policy would suggest the opposite trend - divergence instead of rates convergence. A partial explanation for this trend can also be found in the fact that many young people are more independent in seeking employment and that more often than other unemployed people turn to alternative ways of looking for work, for example by using specialized online platforms.

In the coming period, it is necessary to continuously work on easing the barriers that stand between young people and the labor market. It is especially important to enable young people to make some contact with the labor market during the formal education process. Such a practice has become increasingly popular recently, and is operationalized through various "job tasting" programs, where young people during school are given the opportunity to learn how to use the knowledge from the educational process in a real work environment. Increased involvement of young people in various

internship and volunteer programs during high school and especially college, should be a primary task in the coming period as well. The results of a study that used data from the additional module of the LFS - Transition from School to Work (STWT) show that work or practice during schooling increases the likelihood of finding a job among young people. Previously stated was especially pronounced among young women whose probability of finding a job is 10 percentage points higher if they worked part-time or attended an internship during schooling, compared to those who did not undertake the above activities (Aleksić & Vuksanović, 2019).

However, given the extremely limited resources and effects of ALMP, it is not realistic to assume that redistributing funds to young people within the standard available budget for ALMP measures would change significantly the macro statistics of youth labor market indicators. The roots of comparatively poor youth indicators are not in the narrowly understood ALMP, but in a wider range of employment and labor market policies - the dual character of the labor market with the flourishing of insecure and precarious jobs, which are usually discouraging 'entry' jobs for young people; in the education system; a system of social benefits that constantly makes children and young people the parts of the population with the highest exposure to poverty according to the SILC research; as well as the system of labor taxation (including social contributions) which is comparatively among the least progressive compared to other European countries, which affects young people more as they usually earn less, and in which there are no deductions for dependent family members. Given these and other systemic obstacles to better performance of young people in the labor market, as well as the Government's commitment to further gradual fiscal relief, it would be very useful to focus fiscal relief in the next few years on young people. This could be achieved through the introduction of a partial exemption from the payment of social contributions for all employees under the age of 30. At the same time, a tax deduction should be introduced for dependent family members, from which younger employees would benefit the most. In order to get an idea of the order of magnitude, in the case of exemption from the full amount of contributions by 30% and the introduction of an implicit subsidy of about 3,000 dinars per dependent household member (for a maximum of two members), the total decline in public revenues would be about 0.9% of GDP.

It would be useful to consider the introduction of an innovative policy modeled on the French "contrat de generation" (2013), a policy that would simultaneously address the introduction of young people and retention of older workers in the labor market. The main idea is that intergenerational agreement and cooperation will strengthen the economy and society. The economic motivation is to combine the energy of the young and the experience of the old, as well as their complementary knowledge. In practice, a young person is assigned to a contract for an indefinite period, as opposed to a new part-time contract for an older worker, which creates sustainability and stability of jobs and ensures the transfer of knowledge and skills within the company. Under this measure, a contract would be signed between the employer and two employees: a person under the age of 30 and a person over the age of 55 or 60. The employer would commit to train the young employee, using the experience of the older one, who would spend part of his time (25 or 30%) on training, mentoring and guiding the young employee. Alternatively, the training could be two-way, bearing in mind the better knowledge of young people in new technologies. Such a measure could be particularly interesting if pandemic conditions continue beyond current expectations.

### 3.5.3. Older working age population

#### *Labor market trends*

For the purposes of the Strategy, the elderly are defined as persons between the ages of 50 and 64. After women, the elderly represent the largest vulnerable group in the labor market, numbering about 1.8 million at the beginning of the period. It is a group that partially represents the personification of the baby boomer generation that is at the exit door of the labor market. Accordingly, this is the age cohort that has experienced the largest decline. According to the Labor Force Survey, it is estimated that during the period of the implementation of the Strategy, this group was reduced by close to 250,000 people.

The biggest problem that the elderly were facing during the crisis concerned high inactivity. While young people often use school extensions as an alternative in times of crisis, older people are relatively reluctant to opt for such a strategy. Older people, who lost their jobs due to disturbed conditions, therefore faced the problem of re-employment and often went into inactivity due to discouragement. This is confirmed by the data on the activity rate of the elderly from the beginning of the period, which was about 47%. This was the indicator according to which the elderly lagged behind the total population the most - 8.5 percentage points. The position of the elderly according to the above criteria is even more unfavorable if we look at their peers from EU countries where this rate in the same period was 61.5%. The lag of the elderly in terms of the employment rate was significantly lower, while these persons recorded a significantly lower unemployment rate than the working age population, reflecting both discouragement and a large number of early retirees.

*Table 16 - Basic labor market indicators for the elderly population (50-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Absolute numbers (in thousands)								
Total	1809	1814	1726	1615	1580	1545	1517	1488	1452
Active	852	869	873	845	829	867	877	878	888
Employed	709	712	730	732	730	781	799	799	826
Unemployed	143	158	143	112	99	86	78	79	61
	%								
Activity rate	47.1%	47.9%	50.6%	52.3%	52.4%	56.1%	57.8%	59.0%	61.1%
Employment rate	39.2%	39.2%	42.3%	45.3%	46.2%	50.5%	52.7%	53.7%	56.9%
Unemployment rate	16.8%	18.2%	16.4%	13.3%	11.9%	9.9%	8.8%	9.0%	6.9%

Source: Eurostat based on LFS, NES

Trends in the labor market during the implementation of the Strategy benefited the elderly. Moreover, their recovery, with the exception of the unemployment rate, began somewhat earlier than the recovery of the total population. The activity rate and employment rate for this cohort increased without exception from year to year, thus reaching historic highs in 2019. On the other hand, after a one-time growth in 2012, the unemployment rate decreased to only a third of its maximum value and

in 2019 was 6.9%. Thus, all three qualitative goals set by the Strategy - increasing the activity rate and employment rate, and reducing the unemployment rate of the elderly - were fully met.

With the exception of the unemployment rate, older women in 2011 had significantly worse performance than the overall older population. Although the largest lag behind the total elderly population of 12 percentage points was recorded in the case of the activity rate, the most unfavorable indicator of the labor market of older women was the employment rate of only 29% in 2011. The relatively lower activity of older women than the total population in that period is not so worrying, considering that women used to retire at the age of 60 until 2015. This is one of the main reasons why the activity rate and employment rate of older women have been growing more intensively after 2015.

*Table 17 - Basic labor market indicators for the elderly (50-64) and the working age population (15-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Activity rate 50-64 (%)	47.1	47.9	50.6	52.3	52.4	56.1	57.8	59.0	61.1
Activity rate 15-64 (%)	59.5	60.3	61.7	63.4	63.7	65.6	66.7	67.8	68.1
Rate ratio 15-64 / 50-64	1.26	1.26	1.22	1.21	1.22	1.17	1.15	1.15	1.11
Employment rate 50-64 (%)	39.2	39.2	42.3	45.3	46.2	50.5	52.7	53.7	56.9
Employment rate 15-64 (%)	45.4	45.4	47.6	50.8	52.1	55.2	57.3	58.8	60.7
Rate ratio 15-64 / 50-64	1.16	1.16	1.12	1.12	1.13	1.09	1.09	1.10	1.07
Unemployment rate 50-64 (%)	16.8	18.2	16.4	13.3	11.9	9.9	8.8	9.0	6.9
Unemployment rate 15-64 (%)	23.6	24.6	22.9	19.9	18.2	15.9	14.1	13.3	10.9
Rate ratio 50-64 / 15-64	0.71	0.74	0.71	0.67	0.66	0.62	0.63	0.68	0.63

*Source: Author's calculation based on Eurostat data*

Not only has the absolute position of the elderly improved, there has also been an improvement in terms of relative indicators. The ratio of activity rates of the total population and the elderly converged over time and the relative gap narrowed from 1.26 to 1.11. Even greater progress has been made with the employment rate, which was 1.16 times higher at the beginning of the period in favor of the working age population, only to eventually equalize, given that the gap is only 1.07. At the same time, there was an increase in the unemployment rate gap between these two categories of the population, which, due to the way the relative gap indicator is defined, is assessed as positive from the aspect of the elderly as a vulnerable group. In this way, the elderly have further improved their relative position in relation to the total population, as their unemployment rate is only 63% of the unemployment rate of the total population. We can see as well that this is an unequivocal improvement in the performance of the elderly population when comparing them with their peers from the EU. The activity rate and employment rate of the elderly population of the EU, which were 1.3 and 1.46 times higher than the corresponding rates of the elderly population in Serbia in 2011, were only 1.15 and 1.18 times higher than in Serbia in 2019, respectively. It is similar in terms of the unemployment rate of these persons, which was 2.5 times higher in Serbia than in the EU in 2011, while the ratio decreased to only 1.4 in 2019.

Although the gap between older women and the working-age female population is slightly larger than in the case of the total older population and the total working-age population, older women have improved their relative position in the same way as the total older population. The gap in the activity

rate and the employment rate was reduced from 1.43 and 1.28 to only 1.18 and 1.12 in 2011, which means that these rates for older women and women between the ages of 15 and 64 are almost identical in 2019. The value of the unemployment rate ratio of these two categories was also reduced from 0.64 to 0.61, which means that the unemployment rate of older women is only 60% of the value of the unemployment rate of women of working age.

#### *The impact of active labor market policy*

The beginning of the 21st century was not favorable to the elderly. A significant proportion of the elderly lost their jobs during the transition and restructuring process. Many of those who saved their jobs later found themselves hit by the economic crisis. Tectonic changes in technology and the production process have contributed to the fact that it is relatively more difficult for older people than it is for others to adapt independently to the new needs of the labor market. This is precisely the domain in which active labor market policy should help the elderly the most. The biggest problem of these people surely are outdated knowledge and skills. In an extremely unfavorable situation were those persons who were employed in the same company for a long period of time, and whose work stopped being needed to perform a certain job due to technological, economic or organizational changes. Insufficient adaptability and discouragement due to the inability to find adequate employment could contribute to these persons slip into inactivity relatively easily. That is why it was very important to promote the policy of active aging, primarily through continuing adult education and programs for retraining and acquiring new skills.

Unlike other vulnerable groups, the number of elderly people on NES record has recorded the smallest decline over the past 10 years. Registered unemployment over the age of 50 has fluctuated significantly over time. It first grew until 2013, and after a one-year decline, it started growing again until 2016 when it reached its maximum of about 201,000 people. The downward trend that followed, and which continues, contributed to the number of registered unemployed falling below the level from the beginning of the period. The decrease in the number of elderly people on the register by only 10,000 contributed to the increase in the share of these persons in total unemployment in the observed period. While every fourth person on the NES records belonged to the elderly group in 2011, this was the case with every third person in 2019.

*Table 18 - Indicators of active labor market policy for the elderly (50-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of elderly (50-64) on record	1839 79	1901 01	1948 17	1930 52	1984 41	2014 14	1924 96	1816 37	1733 15
Participation in relation to the total	25%	25%	25%	26%	27%	29%	31%	33%	34%
Number of unemployed elderly (50-64) included in all ALMP measures	1742 7	1649 7	1498 8	1485 5	2296 5	2487 2	2742 1	3076 7	3217 7
Participation in relation to the total	11%	11%	12%	13%	15%	17%	18%	20%	22%
The total number of elderly (50-64) included in financial ALMP measures	5715	3287	2844	1563	4768	4450	5623	5949	5453
Participation in relation to the total	12%	14%	16%	17%	18%	20%	24%	22%	23%
Total number of elderly (50-64) from NES records	2320 4	2570 3	2748 9	3085 2	3549 0	4129 5	4664 7	4856 6	4802 5
Participation in relation to the total	13%	13%	13%	13%	14%	16%	17%	19%	20%

Source: NEAP

The number of elderly involved in all active labor market policy measures has been growing steadily since 2013. Nevertheless, the 2009 benchmark of 61,279 persons is still too far. Consequently, it is quite certain that the goal of increasing the inclusion of the elderly in all ALMP measures will not be achieved until the end of the Strategy. Regardless of the fact that together with the absolute increase in the number of elderly people included in all ALMP measures, their percentage growth also increased, the percentage of elderly people involved in the measures is far from the percentage of elderly people among the unemployed. The difference between these two participations has been stable over time at 12 to 14 percentage points. When it comes to the participation of the elderly in the financial measures of ALMPs, it was initially higher than the participation of the elderly in all measures of ALMPs, and at the end of the period these two participations were equalized. However, although it seems from this aspect that the elderly are not adequately treated by the active labor market policy, it should be borne in mind that extremely scarce and limited funds are intended for the needs of ALMPs. In addition, it can be assumed that many older unemployed people are not actually actively looking for a job, but are "waiting" for retirement or are on the register for other reasons.

On the other hand, the creators of active labor market policy did not develop a special package of measures for the elderly during the implementation of the Strategy, as it was done for young people, PWDs or redundant employees. When reporting on the implementation of the NEAP, the elderly were added to the redundant employees and in the period 2013-2017 were observed in that group. The majority of redundant employees are the elderly. As a group, the elderly do not face great difficulties on the labor market on average, but the elderly who are also redundant represent a multiple vulnerable category that needs to be treated with ALMP measures, such as additional education and training for the use of 'modern' technologies (computer literacy, foreign languages, etc.). The fact that there was no package for the elderly does not mean that certain measures did not envisage the inclusion of the elderly. For example, subsidies for the employment of the unemployed from the category of hard-to-employ persons from 2020 emphasize the elderly as one of the priority categories for which subsidy can be obtained.

Another qualitative goal was to increase the number of elderly people who were employed from the NES records. The starting point with which we compare the achieved results refers to 2010, when 15,422 people were employed from the records. The number of elderly employees has multiplied over time and is constantly increasing, so this goal can also be considered as achieved. The number of older employees from the records more than doubled in 2019 compared to 2011, and their share in the total number of employees increased from 13% to 20%.

In the end, it should be said that the improvement of the relative position of the elderly was primarily influenced by institutional changes and demographic trends, and only then by active labor market policy. First, the amendments to the Labor Law eliminated the institutional determinant that additionally discouraged employers from employing the elderly in 2014. It is a severance pay that was calculated for the entire length of service before the change of the rules, and not only for the length of service with the current (last) employer. Employers saw this as a potential danger (in the form of high costs of possible dismissal) when hiring people with long service, which indirectly discriminated against the elderly. In fact, older workers are exposed to discrimination in the labor market independently of the institutional costs imposed on employers as well. According to the data of the Commissioner for the Protection of Equality, in the last few years they form one of the age groups that is most often discriminated against on the labor market.

Another institutional change relates to the increase in the retirement age, which directly affected the increase in activity and employment of older people of working age. This is supported by a significant

reduction in the ratio of activity rates and employment rates just after 2015, which is the year that coincides with the beginning of the implementation of the gradual extension of the retirement years.

Finally, the increase in activity was also influenced by the changes in the Law on Pension and Disability Insurance from 2014, when penalties for early retirement were introduced. According to the amendments to this law, persons who retire before the full retirement age have a permanent reduction of the calculated pension of 0.34% for each month that they lack until the fulfillment of that condition, and that reduction cannot be higher than 20.4%. This particularly financially affected workers who were hired early (after finishing primary or secondary school). This reduction also applies to persons who have a full number of years of service for pension of 40 years or more, up to a full 45 years of service. Actuarial penalties in their current form are unfair to manual workers and other workers without a university education who have achieved full pension insurance, but have not met the age requirement. In their case, the implicit assumption of actuarial fairness that their life expectancy at age 65 is the same as for university-educated workers is very problematic (Arandarenko et al. 2017). A lasting solution to this open question could be found in a reasonable compromise to stop the actuarial reduction for full-time retirees after they reach the age of 65.

In any case, as in other situations of reduction of social protection rights that marked the past decade of implementation of the Strategy, the introduction of actuarial penalties was not combined with compensatory or incentive measures, and above all with the policy of active aging. Active aging as an adopted principle of the European Commission combines late retirement with work activity, work environment and social engagement adapted to the years of employees. Different countries have adopted a wide range of concrete financial and non-financial measures that support active aging. In France, for example, companies with over 50 employees are obliged to combine at least three measures, such as targeted new employment of the elderly, improvement of their working conditions, additional training, promotion of mentoring, and other similar measures.

The multidimensional Index of Active Aging was calculated for Serbia in 2014, when it was about 4 points behind the EU average. In the process of preparing a new Strategy, it would be useful to calculate its base value in 2020 and set a target value for this index at its completion as well.

#### 3.5.4. Other vulnerable groups in the labor market

##### *a) Long-term unemployed*

By definition, long-term unemployed people are people who have been looking for a job for 12 months or longer. Long-term unemployment is unfavorable for several reasons: it reduces the human capital of the unemployed, leads to the obsolescence of their knowledge and skills, discourages the unemployed from continuing to look for work and pushes them out of the labor market, etc. Therefore, the Strategy identifies the long-term unemployed as one of the harder to employ categories whose position is monitored through two indicators - the share of long-term unemployment and the long-term unemployment rate<sup>21</sup>. The share of the long-term unemployed in the total unemployment, which amounts 50%, is stated as a quantitative target to be pursued.

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<sup>21</sup> The share of long-term unemployment represents the ratio of the long-term unemployed and the total unemployed, while the long-term unemployment rate represents the ratio of the long-term unemployed and the active population.

The number of long-term unemployed persons of working age in Serbia was relatively large at the beginning of the period, and at the time of its maximum, in 2012, it exceeded half a million. However, with the general recovery of the labor market, the number of people looking for work for more than a year has also decreased, so that in 2019 there were just under 170,000 of these people. A somewhat later and at the same time much more moderate decline was recorded in terms of registered unemployment of long-term unemployed persons, whose significant decrease began only after 2014. The decrease in the survey number of the long-term unemployed not only proceeded faster than the decrease in the number of registered long-term unemployed persons, but also significantly faster than the decrease in the number of total unemployed persons. As a result, the share of long-term unemployment in total unemployment decreased. Thus, this share first grew until 2012 from the initial 71.7% to 75.4%, and then decreased to 50.3% in 2019. In line with the previous trend, we can state that it would be quite realistic to expect the fulfillment of the planned goal - that the long-term unemployed do not make up the majority within the category of unemployed.

Although there are no projected quantitative and qualitative targets, progress has been made in terms of long-term unemployment rates and the participation of very long-term unemployed (persons looking for work for more than 2 years). The first indicator decreased from 14.3% in 2010 to 5.5% in 2019, while the second decreased from 53.4% in 2011 to 34.2% in the final year.

*Table 19 - Unemployed persons (15-64) by length of job search, 2011-2019.*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Registered unemployment	466617	491153	512016	507074	484566	470474	428195	372259	332834
Unemployed persons (LFS)	667000	696100	651400	605700	549900	488300	432900	411000	334700
Long-term unemployed (12+ months)	481574	524859	476173	387042	328290	288585	227705	207555	168354
Share of long - term unemployed persons in total unemployment	72.2%	75.4%	73.1%	63.9%	59.7%	59.1%	52.6%	50.5%	50.3%
Very long unemployed (24+ months)	356400	402800	350000	238600	210800	190000	155200	138700	114500
The share of very long-term unemployed in total unemployment	53.4%	57.9%	53.7%	39.4%	38.3%	38.9%	35.9%	33.7%	34.2%
Active population (in thousands)	2829	2831	2839	3049	3020	3068	3081	3096	3068



Long-term unemployment rate	17.0%	18.5%	16.8%	12.7%	10.9%	9.4%	7.4%	6.7%	5.5%
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Source: Eurostat and NES for registered unemployment

#### *b) Persons with disabilities*

Although the number of unemployed is not the most adequate measure of the vulnerability of persons with disabilities (PWDs), the Strategy envisaged this parameter for monitoring their position. Therefore, with next long-term strategic documents it should be borne in mind that in addition to monitoring unemployment in the NES records, the data on the employment of persons with disabilities should be complementary or primarily observed. It is a relatively large pool of people, where, among other things, intensive interventions enable the constant expansion of the circle of "able-to work" PWDs. When it comes to the registered unemployment of persons with disabilities, it grew at a slightly faster pace than the unemployment of all persons registered. The result is a slight increase in the share of PWDs in the total number of unemployed, by 0.7 percentage points compared to the beginning of the period.

At first glance, the increase in the number of PWDs on the NES records may have a negative connotation. However, this is actually a positive development, considering that one of the main problems related to PWDs is their activation. This is a direct consequence of the adoption of the Law on Vocational Rehabilitation and Employment of Persons with Disabilities ("Official Gazette of the RS", No. 36/2009, with amendments 32/2013). Based on the Rulebook on Detailed Manner, Costs and Criteria for Assessing Working Ability and Possibility of Employment or Maintenance of Employment of Persons with Disabilities ("Official Gazette of RS", No. 97/2013), it is envisaged that a request may be sent to the NES for assessment of working ability, which is then determined by the commission and regarding which the status of PWDs is obtained, with privileged access to specially targeted ALMP measures.

*Table 20 - Registered unemployment of persons with disabilities*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total number of persons on record	745187	761486	769546	741906	724096	700947	618827	552513	506865
PWD on record <sup>22</sup>	14148	15031	14509	14275	15931	15784	15434	14577	13385
Participation in the total	1.9%	2.0%	1.9%	1.9%	2.2%	2.3%	2.5%	2.6%	2.6%

<sup>22</sup> It should be noted that the data on PWDs in the records do not refer to the total number of these persons, but only to those who are active, i.e. ready and able to work.

number of persons									
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Source: NES

Two qualitative goals related to persons with disabilities have been fully met - increased involvement of these persons in active employment policies and increased employment from the NES records. The inclusion of PWDs in all active labor market policy measures, with minor exceptions, has seen a growing trend. Thus, from the reference 2,264 persons from the Strategy (the data refers to 2009), the number of PWDs increased to over 10,000 in 2018, and in the last year it decreased to around 9,500. There has also been an increase in the inclusion of PWDs if relative terms are observed, given that the share of PWDs involved in the total number of persons included in all active labor market policy measures has increased from 5% to 7%.

*Table 21 - Involvement in ALMP measures and employment of persons with disabilities*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Unemployed PWDs included in all ALMP measures	7376	7904	7256	7408	8731	9257	9751	11042	9620
PWDs employees from the NES records	2897	3683	3914	4147	4913	5860	6476	6573	6563

Source: NES

In addition to increased involvement in all measures, PWDs also recorded above-average involvement in ALMP financial measures, such as education and training and direct job creation measures. In contrast to the total number of unemployed persons whose share in financial measures ranged from 3% to 6%, the share of PWDs ranged from 16% to 26%. This is not unexpected, considering that the programs for unemployed persons with disabilities are financed from a special budget fund that is filled with funds paid by employers who decide to fulfill the legal obligation to employ PWDs by paying into this fund (which we discuss in more detail below). The same fund also subsidizes the maintenance of existing employment, new employment and the improvement of working conditions in companies for professional rehabilitation and employment of persons with disabilities.

Compared to the initial situation, the employment of PWDs from the NES records has also increased significantly. In relation to the reference 1,604 persons from 2010, more than 6,500 persons with disabilities were employed from the records in 2019. However, this number is still low from the perspective of employing other persons from the records. Employed persons with disabilities accounted for only 1.6% of the total number of employed persons from the records in 2011. It is positive that this share slightly increased and amounted 2.7% in 2019.

*Table 22 - Number of persons involved in ALMP measures by type of measures*

		2011	2012	2013	2014	2015	2016	2017	2018	2019
Registered unemployment	Total	745187	761485	769545	741905	724094	700947	618826	552513	506865
	PWDs	14148	15031	14509	14275	15931	15784	15434	14577	13385
	Total	25676	9549	6699	3658	8061	7659	6907	10221	9162

Additional education and training	PWDs	477	143	564	744	464	492	367	702	547
Subsidies	Total	16433	8381	8058	4179	7355	7714	8111	8760	9094
	PWDs	1124	1018	1101	671	723	1013	949	1204	1323
Public works	Total	6455	6084	3171	1296	10884	7356	8061	7614	5296
	PWDs	724	1331	1258	1295	1664	1868	2110	1852	1468

Source: NES

Persons with disabilities often face discrimination, mainly due to limited access to their constitutional and legal rights. According to the annual reports of the Commissioner for Equality, more than a quarter of the total number of complaints to the Commissioner for Equality related to discrimination relate to PWDs. The main challenges faced by PWDs include: access to various public facilities, services and information; access to employment and opportunities for reasonable adjustment of working conditions, access to education and vocational training.

#### *Issues of financing the employment of PWDs*

Employment of persons with disabilities is one of the main goals of the Strategy. The adoption of the Strategy was preceded by the adoption of the Law on Professional Rehabilitation and Employment of Persons with Disabilities<sup>23</sup>. This Law regulates incentives for employment of persons with disabilities in order to create conditions for their equal participation in the labor market; assessment of their working abilities; professional rehabilitation; the obligation to employ persons with disabilities; conditions for the establishment and performance of activities of companies for professional rehabilitation and employment of PWDs; and other special forms of employment and work engagement of PWDs, as well as other issues of importance for professional rehabilitation and employment of PWDs. The Law envisages the establishment of a special Fund for Professional Rehabilitation and Employment Promotion of Persons with Disabilities, which finances special employment policies for persons with disabilities, namely: professional rehabilitation, active employment policy measures and special forms of employment and work engagement. Funds from the Fund are allocated for: 1) financing the employment of persons with disabilities through special forms of employment and work engagement (Special forms of employment for PWD) and 2) financing programs related to professional rehabilitation and active employment policy measures, which are implemented through the National employment service (ALMP measures for PWD). Tables 23a and 23b show the total funds of the Budget Fund for Professional Rehabilitation and Employment Promotion of Persons with Disabilities (the Budget Fund), their purpose and spending in the years of implementation of the Strategy.

Table 23a shows the total payments to the Budget Fund based on the obligations of employers, as well as the funds determined by the Budget Law intended to support companies for professional rehabilitation and employment of PWDs and to encourage the employment of PWDs through the NES. From this table it can be seen that in the observed period there was a significant increase in funds paid to the account of the Tax Administration based on the obligations of employers. Thus, compared to 2011, employers' payments more than doubled (217%) in 2019. On the other hand, the funds allocated to the Budget Fund were significantly reduced during the first five years of the implementation of the

<sup>23</sup> <http://ravnopravnost.gov.rs/rs/izvestaji/>

strategy, and in the period from 2015 to 2019 they remained unchanged in the amount of about 1.25 billion dinars per year. This caused the initial percentage of allocated funds that was higher than 100%<sup>24</sup> in the first year of implementation of the Strategy to be reduced to below 30% in 2019. In addition, the data on the amount of payments based on the obligation of employers for 2014, which was also the year in which the fund for ALMP measures for PWDs was halved, should be especially noted. Namely, in that year, the payments of employers increased significantly, reaching almost 3.8 billion RSD for the first time, while the Budget Law determined 1.27 billion RSD for that year. Based on the above, the question arises as why the obligation of employers to pay funds into the Budget Fund is insisted on, if those funds are not directed to what they are intended for? Therefore, when adopting the new Strategy, it is necessary to analyze the needs and opportunities in the field of promotion of PWD employment more precisely, and ensure that the estimated necessary funds are really allocated for spending on what they are intended for, namely support for professional rehabilitation and employment of PWDs as well as encouraging the employment of PWDs through the NES.

*Table 23a: Budget Fund for Professional Rehabilitation and Employment Promotion of Persons with Disabilities*

Year	Paid amount of funds to the account of the Tax Administration based on the obligation of employers (million RSD)	Budget Fund for Professional Rehabilitation and Employment Promotion of Persons with Disabilities (million RSD)		
		Amount determined according to the Law on Budget	Difference	% off allocated funds
2011	1.99	2.12	0.14	106.80
2012	2.45	1.89	-0.56	77.05
2013	2.26	1.69	-0.57	74.78
2014	3.79	1.27	-2.52	33.50
2015	2.98	1.25	-1.73	41.93
2016	3.11	1.25	-1.86	40.17
2017	3.72	1.25	-2.47	33.59
2018	3.84	1.25	-2.59	32.52
2019	4.31	1.25	-3.06	29.03

Source: Tax Administration and the Ministry of Labor, Employment, Veteran and Social Affairs

<sup>24</sup> In 2011, a positive difference can be noticed between the total paid funds and those allocated for the Budget Fund in the amount of about 140 million dinars. The Budget Fund's resources this year were determined on the basis of a joint assessment of the Ministry of Finance and the Ministry of Economy and Regional Development, within which the Employment Sector functioned. The positive difference between the paid and allocated funds was a consequence of the transferred payments from the previous year, as well as the fact that in that year, in addition to the private sector, funds based on the obligation to employ PWD were provided by the RS public sector.

Table 23b shows the planned and realized amount of funds from Budget Fund for Professional Rehabilitation and Employment Promotion of PWDs. The planned amount is defined by the Law on Budget for the current year. The funds that are directed to the MoLEVSA account are intended for the support of companies for professional rehabilitation and employment of PWDs. The second part of the funds is intended for ALMP measures to encourage the employment of PWDs and is located in the section of the MoLEVSA which transfers them to the NES in accordance with the Program of allocation and use of the funds. The table shows that during the implementation period of the Strategy, most of the funds from the PWDs Employment Budget Fund were directed to special forms of PWDs employment, i.e. employment in companies for professional rehabilitation and employment of PWDs, and a smaller part for active employment policy measures. It should be noted here that according to the classification of Eurostat labor market policies, support for maintaining the existing employment of PWDs in companies with special status is considered as a measure of active labor market policy as well, just like 'sheltered employment'.

The data also indicate that during the implementation of the Strategy, the Budget Fund's resources were continuously reduced, from the initial 2.12 billion to 1.25 billion, which is the amount planned during the last five years, regardless of the estimated needs.

At the same time, although there is a high percentage of realization of funds intended to support companies for professional rehabilitation and employment of PWDs, and a slightly lower percentage of realization of funds intended for employment promotion of PWDs through NES, the need for financial resources on both bases has been constantly growing. When it comes to support to companies for professional rehabilitation and employment of PWDs in particular, while available funds in nominal terms stagnated, as well as the number of employees to be supported, nominal wages and all other operating costs grew relatively quickly, which reduced effective support to these companies and in recent years it has been reduced only to a share of operating costs. Given that there has been no improvement in their market position to compensate for this, this trend is beginning to jeopardize the sustainability of some companies for professional rehabilitation and employment of PWDs.

*Table 23b: Realization of funds from the Budget Fund for Professional Rehabilitation and Employment Promotion of PWDs*

Year	Budget Fund for Professional Rehabilitation and Encouragement of Employment of Persons with Disabilities (million RSD)			Support to companies for professional rehabilitation and employment of PWDs (million RSD)			Encouraging the employment of PWDs through the NES (million RSD)		
	Plan	Realization	% of realization	Plan	Realization	% of realization	Plan	Realization	% of realization
2011	2.12	1.28	60	1.32	925	70	800	356	45
2012	1.89	1.48	78	1.15	781	68	750	697	93
2013	1.69	1.18	69	995	772	78	700	405	58
2014	1.27	0.96	76	751	721	96	519	243	47
2015	1.25	1.07	86	750	749	100	500	323	65
2016	1.25	1.05	84	700	639	91	550	411	74
2017	1.25	1.17	94	700	696	99	550	476	86

2018	1.25	1.15	92	700	700	100	550	452	82
2019	1.25	1.14	91	700	700	100	550	444	81

Source: National Employment Service and the Ministry of Labor, Employment, Veteran and Social Affairs

This, however, indicates that the funds paid on the basis of the obligation to employ PWDs are not fully used for what they are intended for, and thus calls into question the expediency of such a policy. It should also be borne in mind that the design of the existing obligation of employers is implicitly regressive, as they pay half of the average gross salary in the country for each job that is planned to be filled by a person with a disability into the budget if this is not the case. This means that employers who employ lower paid workers are proportionately more burdened. Therefore, it is necessary to reconsider the 'tax' rules related to the obligation to employ PWDs, without necessarily violating the principle of income neutrality.

In this regard, on the expenditure side a thorough analysis of the real long-term needs of the Budget Fund for Professional Rehabilitation and Employment promotion of PWDs. If these needs are at the level of the current revenues of the Budget Fund, then the main priority is to identify existing programs that are insufficiently funded and possibly create new ones that would enable the expansion of the portfolio of active measures aimed at PWDs within the Budget Fund. Based on limited comparative insights (e.g. the income of the relevant fund in Montenegro is only three times lower than its total income in Serbia), it can be said that the current income of the Budget Fund is not too high. If the needs, which are certainly from currently available funds, are however less than the current total income of the Fund, then it makes sense to consider a certain reduction of employers' obligations on this basis.

Data related to the inflow of funds to the account of the Tax Administration based on the obligations of employers for the previous period were not included in the annual reports of MoLEVSA and NES. However, for the sake of more transparent spending of the Budget Fund's means financed from employers' payments based on the obligation to employ PWDs<sup>25</sup>, and the fact that a way should be found to provide employers with insight into the purpose of paid funds, it is necessary to change the reporting method in the future.

The Law foresees the establishment of companies for professional rehabilitation and employment of persons with disabilities as a special form of employment and work engagement of persons with disabilities to be performed by legal entities established by the Republic of Serbia, autonomous provinces, local self-governments, companies, association of persons with disabilities or other legal entities or a natural person, in order to create new jobs and employ persons with disabilities. The total number of companies for professional rehabilitation decreased from 2011 number of 59 before the implementation of the Law, to 43 in 2016. However, in the following years, new companies were established, which annually employ about 1,700 workers, with more than two thirds of those being recruited among PWDs. In 2017, there were 51 companies for professional rehabilitation and employment of PWDs that submitted a request for subsidies from the Budget Fund in the amount of 695,936,913.99 RSD, and which employed 1,881 workers, of which 1,261 people with disabilities. On the other hand, the growth trend of the number of companies for professional rehabilitation and employment of PWDs continued in the following years, so that in 2019 there were 57 companies. However, the total number of employees in them was reduced and they employed 1668 employees,

<sup>25</sup> The method of financing the Budget Fund is defined by the Law on Professional Rehabilitation and Employment of Persons with Disabilities.

of which 1131 were PWDs<sup>26</sup>. This data, when crossed with the data shown in Table 23b, indicates the need for further support to companies for professional rehabilitation and employment of PWDs, by providing additional funds for employment of PWDs in these companies and their operational activities, because the amount of about 700 million dinars now is insufficient to ensure the expansion of activities, and even normal business in these companies. Although direct wage subsidies are paid in accordance with the rights of employers under Article 40 of the Law on Professional Rehabilitation and Employment of Persons with Disabilities, other forms of subsidies for which there is a possibility but no obligation under Article 41 of the Law, e.g. to improve working conditions, improve production programs, the introduction of standards, the improvement of the quality of products and services provided, the adjustment of jobs, etc. are dramatically reduced because the total amount of subsidies remains at the same level. Due to this reduction of total subsidies per employee even the functioning of existing companies, especially in public ownership, may be in question.

In addition to the employment of PWDs in vocational rehabilitation companies, the Law and the Strategy have also planned their employment in social enterprises. However, although social entrepreneurship is not unknown to local employers, and a number of them operate on the model of social enterprises, an adequate regulatory framework has not yet been established to regulate the establishment and operation of social enterprises. Therefore, more emphasis should be placed on the promotion of social entrepreneurship and the development of the regulatory framework in the next strategic document in the part concerning the employment of PWDs.

### *c) Roma*

Similar to persons with disabilities, registered Roma unemployment is not the most accurate indicator of their vulnerability. Nevertheless, it is one of the indicators for which monitoring is envisaged within the Strategy, primarily for practical reasons (ease of monitoring and availability of data). Registered Roma unemployment has had a moderate growth trend over the years, rising from around 22,000 in 2013 to around 26,000 at the end of 2019. Based on the table below, it can be seen that Roma unemployment did not follow the trend of total unemployment, which began to decline since 2013. As a consequence of divergent trends in the second half of the reference period, the share of unemployed Roma in the total number of unemployed persons in the NES almost doubled during the seven-year period. It should be emphasized that the increase in Roma unemployment does not necessarily have a negative connotation. In the past period, the NES has carried out activities aimed at activating and registering Roma in the NES records. In fact, increased employment of a vulnerable group can lead to rising unemployment as employment opportunities increase. This will be shown in the sequel of the analysis.

*Table 24 - Registered Roma unemployment*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total number of persons on record	745187	761486	769546	741906	724096	700947	618827	552513	506865

<sup>26</sup> Annual inspection plan for 2020 of the Sector for the Protection of Persons with Disabilities, available at <https://www.minrzs.gov.rs/sr/dokumenti/predlozi-i-nacrti/sektor-za-zastitu-osoba-sa-invaliditetom/profesionalna-rehabilitacija>

Unemployed Roma on record	19398	20452	22102	21791	22930	25126	26537	26099	25918
Participation in the total number of persons on the records	2.6%	2.7%	2.9%	2.8%	3.1%	3.5%	3.8%	4.2%	4.7%

Source: NEAP Reports and NES Reports

However, it is positive that along with the growth of the number of registered unemployed Roma, their involvement in ALMP measures has grown - both in absolute and relative terms. With 1,536 persons (data refer to 2009) who are reference from the Strategy, the number of Roma included in ALMP measures increased to over 6,600 in 2019, which was also the first qualitative goal defined for the Roma population. As mentioned, there was an increase in relative terms, as the share of Roma included in the total number of persons involved in all active employment policy measures increased from 2% in 2011 to 5% in 2019. Increased involvement of Roma in financial measures should be noted as a particularly good result. This has greatly improved the targeting of Roma compared to the beginning of the period when Roma accounted for only about 2% of all persons involved in financial measures, while their participation in 2019 was about 8%.

Roma make up about half of all participants in adult literacy programs and related vocational training programs. These programs of functional adult education, which were better known under the informal name "Second Chance" during the good part of the implementation of the Strategy, were realized through cooperation between the NES and the Ministry of Education, Science and Technological Development with the aim of providing functional primary adult education within a three-year cycle. The total number of all participants in the program in 2017/2018 was about 1300 people.

The second qualitative goal was to increase the number of Roma who were employed from the NES records during the year, which in the reference year 2010 was 779. We can state that this goal was achieved too, given that the number of employed Roma from the NES records amounted to over 5,000 in 2019, which is significantly above the initial value. The share of employed Roma in the total number of employed persons from the NES records has also grown over time.

Table 25 - Inclusion in ALMP measures and employment of Roma

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of unemployed Roma included in all ALMP measures	3625	3918	3433	4043	5015	4918	5691	6527	6713
Number of unemployed Roma included in financial ALMP measures	1023	1439	1167	966	1438	1320	1783	1962	1935
Participation	2.1%	6.0%	6.5%	10.6%	5.5%	5.8%	7.7%	7.4%	8.2%



Roma employees from NES records	1036	1474	1656	1592	1994	2866	4150	5285	5389
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Source: NES

Although the fundamental improvement of the extremely difficult socio-economic situation of Roma requires far more than the ALMP measures, it could be said, based on the available data, that significant progress has been made in this area with limited resources during the implementation of the Strategy.

#### *d) Rural population*

Although the Strategy envisages the monitoring of indicators for the urban and rural population, these two categories have also been changed within the package of methodological changes of the LFS, therefore data for urban and other settlements have been published since 2013. Unlike the essential methodological changes, here we are primarily talking only about cosmetic changes, i.e. name changes.

Despite relatively better technical indicators of the rural population compared to the urban one, the Strategy especially envisages the improvement of the labor market indicators of the rural population. Within it, two qualitative goals are more precisely defined - increasing the activity rate and the employment rate of the rural population. These two labor market indicators are also indicators according to which the rural population was the least ahead of the urban population at the beginning of the period. Formally observed, both goals have been achieved, as the activity rate of the population living in rural (other) settlements increased from the reference 60.4% in 2010 to 68.7% in 2019, while the employment rate increased from 49.7% to 62.1% at the end of the period.

However, the position of the rural population has significantly deteriorated if relative terms are taken into account. The deterioration precisely occurred in the case of two labor market indicators for which the Strategy defined qualitative objectives. The advantage that the rural population had at the beginning of the period in the activity rate and employment rate, has melted away in this decade. Previously mentioned can be read from the decrease in the value of the ratio of the activity rate (employment) of the rural and urban population, which amounted to 1.04 (1.08) in 2011, and to 1.01 (1.04) in 2019. On the other hand, rural population has improved its relative position over time only in terms of indicators whose improvement has not been identified as an imperative under the Strategy. This is evidenced by the increase in the value of the unemployment rate of the urban and rural population from 1.14 in 2011 to 1.24 at the end of the period.

It is important to emphasize that the Strategy did not envisage finer instruments for monitoring the quality of employment of the rural, i.e. non-urban population. This could be ensured in the next Strategy by requiring that the employment structures of the urban and non-urban population are monitored. The goal should be convergence, i.e. reducing the differences in these structures, especially when it comes to the ratio of wage employment and vulnerable employment, as well as the structure of employment by sectors. Additionally, alongside the adoption of the residential principle of wage monitoring, it has been possible to monitor both registered employment and average wages according to the municipal location since 2018, as a good approximation of the type of settlement.

Table 26 - Basic labor market indicators (15-64) by type of settlement, 2011-2019

		Absolute numbers									
		2011	2012	2013	2014	2014	2015	2016	2017	2018	2019
Total	Urban	2766	2763	2794	2815	2937	2870	2855	2780	2753	2735
	Rural	2010	1968	1837	1804	1886	1883	1822	1838	1813	1769
Active	Urban	1618	1643	1702	1723	1849	1832	1860	1843	1866	1853
	Rural	1219	1198	1151	1131	1205	1190	1208	1238	1230	1215
Employed	Urban	1215	1200	1276	1357	1458	1471	1527	1563	1601	1634
	Rural	952	942	922	935	988	1000	1053	1085	1084	1099
Unemployed	Urban	403	443	426	366	391	361	333	280	265	219
	Rural	267	255	229	197	217	190	156	153	146	116
		%									
Activity rate	Urban	58.5	59.5	60.9	61.2	62.9	63.8	65.1	66.3	67.8	67.8
	Rural	60.7	60.9	62.7	62.7	63.9	63.2	66.3	67.3	67.9	68.7
Employment rate	Urban	43.9	43.4	45.7	48.2	49.6	51.2	53.5	56.2	58.2	59.8
	Rural	47.4	47.9	50.2	51.8	52.4	53.1	57.8	59.0	59.8	62.1
Unemployment rate	Urban	24.9	27.0	25.0	21.2	21.1	19.7	17.9	15.2	14.2	11.8
	Rural	21.9	21.3	19.9	17.4	18.0	15.9	12.9	12.3	11.9	9.5

\* Since 2013, the population has been divided into urban and other

Source: LFS, SORS.

#### e) Internally displaced persons and refugees

Until 2013, the records on refugees and internally displaced persons were unique, and after that these two categories of the population got separated. Given that the Strategy implies a unified observation of these groups, we will observe them in the following way. In order to get a picture of the representation of the two subgroups, we will only mention that the ratio of these persons in the records was around 10:1 in favor of internally displaced persons. Registered unemployment of refugees and internally displaced persons (RIDPs) followed the trend of registered unemployment of the total population, which caused the share of RIDPs in registered unemployment to stagnate over time at approximately 1%. In the years for which data are available the maximum number of persons registered was around 8,000 in 2011, while the minimum was recorded in 2019 when there were around 4,700 unemployed. It should be noted that the reduction is partly influenced by resolving the status of these persons in the past period by receiving the citizenship of the Republic of Serbia by certain number of them.

The qualitative goals were to increase the inclusion of refugees and internally displaced persons in ALMP measures and to increase the employment of these persons from the NES records. The fulfillment of both goals can be assessed positively. Firstly, in all years for which data on the number of persons from the observed group included in ALMP measures are available, their number was higher than 315, which is the reference data from 2009, as stated in the Strategy. Secondly, the number of employed refugees and internally displaced persons from the records in 2015 was 1,659, which is also more than the reference 1,362 from 2010.

*f) Beneficiaries of financial social assistance*

At the very beginning, an aggravating circumstance in relation to the goals defined in the Strategy for persons receiving financial social assistance should be pointed out. The point is that for these persons, an increase in inclusion in ALMP measures and an increase in employment from the NES records is explicitly envisaged, without reference values being stated. We decided to observe the fulfillment of goals in relation to the first year for which data are available, and that is 2011 for inclusion in all ALMP measures, while for the employment of FSA users from the records is 2015.

In accordance with that, we can conclude that the number of FSA users employed from the NES records more than doubled between 2015 and 2018. Their share in the total number of persons who were employed from the NES records during the year (from 2.5% to 5%) also doubled, which suggests that the first goal was fully achieved. Although there was a significant drop in the employment of FSA users from the records in 2019, that number is still higher than the reference 6,000.

Regarding the second goal, we can conclude that the number of FSA users involved in all ALMP measures has also multiplied. There was an increase both in absolute terms (from 5,425 to 10,570) and in relative terms (from 4% to 8%), so we can conclude that the second goal has been met. Although the participation of FSA users in financial measures is higher in 2019 than in 2011, its trajectory had the form of the inverted letter "U". The involvement of FSA users has been decreasing according to this pattern since 2014 when it was at its maximum of 13%.

On the negative side, we can point out that, although significantly reduced over time, the gap between the share of FSA users in the total number of unemployed (11.3%) and the share of FSA users in the total number of unemployed included in all ALMP measures (8%) is still present. In order to be able to say that a vulnerable group has been treated with sufficient attention by active labor market policy, its participation in ALMP measures should be at least as much as its participation in registered unemployment.

*Table 27 - Registered unemployment, involvement in ALMP measures and employment of FSA users*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of FSA users on record	27084	37104	45600	54031	63991	64848	67821	63307	57083
Participation in relation to the total	4%	5%	6%	7%	9%	9%	11%	11%	11%
Number of unemployed NSP beneficiaries included in all ALMP measures	5425	7678	7616	9373	12404	12377	12156	12403	10750
Participation in relation to the total	4%	5%	6%	8%	8%	8%	8%	8%	8%
Total number of FSA users involved in financial ALMP measures	1035	1469	1352	1206	2254	1914	2150	2123	1666

Participation in relation to the total	2%	6%	8%	13%	9%	8%	9%	8%	7%
The total number of employed FSA users from the NES records					6069	26071	19250	13089	7856
Participation in relation to the total					2%	10%	7%	5%	3%

Source: NES

*g) Persons without qualifications and with a low level of qualifications*

Persons without qualifications and with a low level of qualifications include persons who have incomplete primary school education and those who have completed primary education, as well as persons with low qualifications (semi-qualified before the enactment of the Law on NQFS). It is clear that these are people with a limited set of knowledge and skills that may have difficulties in the labor market because of that. Problems with the inclusion in the labor market that these people have were identified within the annual NEAPs, and an appropriate package of measures is adopted for them with the intention of improving their position.

*Table 28 - Registered unemployment, involvement in ALMP measures and employment of NQ and HQ persons*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of persons NQ and HQ on record	244751	244979	245405	233428	227318	222585	204707	184618	170637
Participation in relation to the total	33%	32%	32%	31%	31%	32%	33%	33%	34%
Total number of persons NQ and HQ involved in financial ALMP measures	7709	6857	5371	3374	6727	5542	7195	7513	6209
Participation in relation to the total	16%	29%	30%	37%	26%	24%	31%	28%	26%
Total number of employees NQ and HQ	30623	33127	34579	36862	41468	44301	48659	51168	46443
Participation in relation to the total	17%	16%	16%	16%	17%	17%	18%	20%	19%

Source: NES

Despite the expansion of secondary and especially higher education in recent years, there is still relatively large number of people who have not completed three or four years of secondary education.

The share of unqualified and low-skilled people in total unemployment has been relatively stable over time - at first it was slightly decreasing until 2015, after which it increased and currently is 1 percentage point higher than at the beginning of the period.

Unlike most vulnerable groups, the Strategy does not explicitly set quantitative targets for this category of unemployed persons. Therefore, it is only possible to monitor the change in position over time without referring to baseline and target values. In this regard, it can be said that the participation of persons without qualifications and with a low level of qualifications varied significantly during the observed period. The adoption of the package of measures for these persons contributed to their participation in financial measures increasing to 37%, but at the end of the period it dropped again to 26%, which is still 10 percentage points higher than in 2011. While the increase in participation is defined as a step in the right direction, the lower participation of these persons in financial measures compared to the share in registered unemployment recorded in all years except 2014 indicates that targeting this group was not intensive enough in the past.

The share in financial measures of the unemployed from this category also varied significantly over time. In 2011, 43% of all persons without qualifications and with a low level of qualifications were included in subsidy programs, and in 2019 this percentage dropped to 30%. The program of acquiring practical knowledge contributed to the largest increase in participation recorded by the program group of additional education and training (from 26% in 2011 to 34% in 2019), while the participation of these persons in public works increased slightly from 31% to 36%.

Over time, the employment of these persons from the NES records has significantly increased. An absolute growth of about 16,000 persons and a relative growth of 2 percentage points indicates that the position of persons without qualifications and with a low level of qualifications has also improved from this aspect in relation to the beginning of the period.

#### *h) Redundant workers*

Employees whose employer has determined that the need for their further engagement has ceased to exist due to technological, economic or organizational changes are considered redundant. With the aim to prevent unemployment and address redundancies, to encourage the employment of this category of hard-to-employ persons who have priority for inclusion in ALMP measures, a package of services for redundant workers has been implemented since 2013. In addition to the prevention of unemployment, this package also aims to prevent the obsolescence of competencies that are important for competitive entry into the labor market and prevent the emergence of long-term unemployment.

*Table 29 - Registered unemployment, inclusion in the ALMP measures of redundant workers*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of redundant workers in the records	39808	34493	28980	22757	57465	53882	47006	40940	37415
Participation in relation to the total	5%	5%	4%	3%	8%	8%	8%	7%	7%
Total number of redundant workers	3153	1487	1278	743	1687	1657	1942	2034	1991

included in financial ALMP measures									
Participation in relation to the total	6%	6%	7%	8%	6%	7%	8%	8%	8%

Source: NES

Similar to persons without qualifications and with a low level of qualifications, initial and final values are not explicitly predicted for redundant workers, so only a change in their position over time can be monitored. The number of redundant workers registered in the NES records decreased until 2014, whereas it more than doubled in the following year reaching a level of around 57,500. A significant jump in 2015 can be related to the Government's Decision on determining the Program for resolving redundancies in the privatization process. This Program has enabled workers in companies in the process of privatization to voluntarily opt for one of the three severance pay options, in accordance with their preferences. It is also evidenced by the data on the funds spent from the Transition Fund, which amounted to around 3.3 billion in 2014 and to more than 11 billion in 2015 that the introduction of voluntary severance pay played a key role in the increase in the number of unemployed redundant workers. This sharp increase, caused by the first wave of voluntary commitment to severance pay was followed by a declining trend that is still present. However, the share of redundant workers in total registered unemployment is 2 percentage points higher at the end compared to the beginning of the period.

The involvement of redundant workers in ALMP financial measures has been relatively stable over time. Despite the decline in the absolute number of participants in ALMP financial measures from the group of redundant employees, their relative share increased slightly from 6% to 8%. The very structure of the redundant workers that participated in the financial measures also remained relatively unchanged over the ten-year period. In 2011 and 2019, these persons were primarily included in the program group of subsidies (62% vs. 67%), followed by additional education and training programs (31% vs. 25%), while the importance of public works for this group was and still remains marginal (7% vs. 8%).

Based on the previously defined indicator - the ratio of participation in ALMP measures and participation in total unemployment, it can be concluded that the intensity of targeting redundant workers was moderately good due to the fact that the first participation was mostly higher or equal to the latter.

It should be noted that the amendments to the Law on Employment and Unemployment Insurance made it difficult for persons who have been declared as redundant workers since 2015 and who have received severance pay in the amount higher than the legal minimum - the so-called incentive severance pay - to acquire the right to unemployment benefits. From the point of view of the implementation of the fiscal consolidation program, this change was considered so important that the urgent procedure for the adoption of legal changes in the Assembly was justified by the need for its adoption. According to the previous regulations, everyone who received severance pay above the legal minimum acquired the right to unemployment benefit immediately after the first subsequent employment (since such a person did not use the unemployment contributions paid on his behalf). This rule was abused by some persons who used to falsely employ only for a few days, and then report to the National Employment Service seeking unemployment benefits. An amendment has been devised to prevent this, so that now an unemployed person who has received an incentive severance pay regains the right to compensation only after spending a full year in a new job.

Fiscal consolidation and the need to prevent surely fewer abuses have taken absolute precedence over the fact that most redundancies, especially at the end of the transition, belonged to multiple vulnerable groups - usually older workers, with often outdated qualifications and skills for which there is little demand in today's labor market. In addition, they face statistical discrimination even when their objective work performance is above the average. On the other hand, the most vulnerable among these workers can be practically considered unemployable and they were the ones most affected by this measure.

### 3.6. Financial expenditures for active employment policy measures

In addition to quality design and adequate targeting, the effectiveness of an active labor market policy largely depends on the financial framework available for it. As each of the measures entails a certain fixed cost of implementation, the critical mass in the form of funds is a necessary condition for their implementation to occur at all. The combination of sufficient funds and the two previously mentioned criteria also provides a sufficient condition for an effective active labor market policy. Therefore, the first step is to allocate a sufficient amount of financial resources for these purposes. This was also considered during the formulation of the Strategy, during which the increase of allocations for ALMP measures was highlighted as one of the priority goals. From the reference 3.4 billion dinars, or about 0.1% of GDP, the growth of financial resources was planned, first to 0.4% of GDP by 2013, and then to 0.5% by the end of the period. The following table shows expenditures by year in absolute terms and as a percentage of GDP.

*Table 30 - Spent funds for active labor market policy measures (in millions of dinars), 2011-2019.*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenditures for active employment policy measures	3436	3266	1172	497	1896	2424	2368	2795	3151
Measures for PWDs from the Budget Fund	356	697	405	243	323	411	476	452	444
Of which:									
a) measures and activities of professional rehabilitation	14	18	27	27	24	17	31	24	45
b) encouraging the employment of persons with disabilities	336	663	361	210	292	385	436	413	375
c) support for persons with disabilities who are employed under special conditions	7	16	17	7	7	9	9	15	24
LAEP by local self-government units **	244	392	371	483	654	756	792	836	817

Share of total expenditure (in %)	0.11	0.11	0.04	0.03	0.07	0.08	0.07	0.07	0.07*
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\* Estimation of GDP by the Ministry of Finance

\*\* Total funds are shown, through co-financing of LAP (part financed by LSGU) and through technical assistance (when LAEP finances only LSGU)

Source: NEAP Implementation Report; SORS; Ministry of Finance

It is quite obvious that the projected values have not been reached and therefore this goal, or as we have called it a necessary condition for effective ALMPs, has not been met. During the implementation of the Strategy AEP funds almost did not exceed 0.1% of GDP. The situation was especially unfavorable in 2013 and 2014 when the allocations were more than 10 times smaller than planned. Almost paradoxically, more money for ALMP measures was allocated from the budgets of local self-government units than from the state budget in 2014. The Report on the realization of the NEAP for 2013 also speaks about the financial difficulties, stating that 3.4 billion dinars were planned for these purposes in 2013, but that the funds were reduced to 1.18 billion by the budget rebalance. The same report estimates that this affected the impossibility of implementing the originally planned programs and active employment policy measures, reducing the number of persons involved in active employment policy measures and the impossibility of co-financing local employment action plans.

It is important to point out that, especially in the case of funds for measures for PWDs from the Budget Fund, there were significant discrepancies between the planned and spent funds. The utilization index of funds has never approached the ideal value of 100%, and its highest value was achieved in 2012 when it was 93%. The value of this index usually ranged from 50-80%, and the lowest level of 44.5% was recorded in 2011, when only 356 million dinars were spent out of the planned 800 million.

With the recovery of the economy, the funds intended for ALMPs also increased marginally, but they are still below the initial 0.11% of GDP in 2011. Moreover, the allocations for AEP in 2019 were almost lower in absolute terms than those from 2011. In other words, based on the targeted 0.5% of GDP, Serbia should have allocated around 28 billion dinars to finance ALMPs in 2019, but it still continues to allocate 4 billion as at the beginning of the period. Allocations for active employment policy measures vary considerably within the EU, ranging from 0.03% of GDP in Romania to 1.4% of GDP in Denmark (Eurostat, 2018). In fact, Romania is the only EU country that had a lower relative level (in relation to GDP) of expenditures for ALMP measures than Serbia in 2018. Although there is no summary data on average expenditures at the EU level, based on individual aggregation, it can be said that this is about 0.4% -0.5% of GDP; that is exactly the amount planned by the Strategy for 2020, the goal which is still quite far away for Serbia to achieve.

### 3.7. Gross effects of AEP financial measures

One of the indicators of the effectiveness of a measure is certainly the number of participants who found employment after leaving the measure. The NES monitors the participants even after the termination of the measures and in accordance with that keeps records on whether the persons who participated in the measures have registered employment in the period of 180 days after leaving the measure (the cut is made for 3 months). In this way, it is possible to assess the gross effects of the measures, i.e. their robust effectiveness. It is clear that this is a relatively imprecise measure due to the fact that the status of the person cannot be directly related to his participation in the measure



after 6 months from the exit of the measure. In other words, it could happen that a person would have found a job even without participating in the measure. Similarly, since in this way the status on the labor market is monitored exclusively after the end of the measures, participants can be employed in another job that cannot be related to the program in which they participated after 6 months.

Finally, the nature of the measure itself and the conditions it imposes on employers or the participants themselves largely determine how big its gross effects will be after a certain short period, which does not have to say much about its long-term effects. A measure which, upon its completion, leaves the beneficiary in the status of an employee for an indefinite period of time will certainly have a higher gross effect six months later than a measure which does not imply the establishment of an employment relationship at all. Therefore, to assess the increased or decreased effectiveness, it is especially important to observe the trend of the gross effects of each measure over time. However, when conditions for employers or participants change even slightly, that might affect the growth or decline of gross effects, rather than improving the implementation of the measure within the existing rules. Due to all these circumstances, the interpretation of the gross effect requires great caution and can rarely provide a good picture of the true 'net' effectiveness of ALMP measures.

*Table 31 - Gross effects of AEP financial measures by years (in%), 2011-2019*

Measure	'11	'12	'13	'14	'15	'16	'17	'18	'19
Functional primary adult education	4	4	4	5	5	6	7	14	4
Labor market training	26	16	20	21	29	35	40	33	27
Training at the request of the employer	66	75	65	100	85	77	78	85	75
Training at the request of the employer for employees									92
Trainee program "First Chance"	75								
Professional practice	43	43	48	47	47	47	51	51	34
Professional practice - practical knowledge and skills					58	49			
- Trainee programs:	/	/	/	/	/	/	/	/	16
- Internship program for young people with higher education	/	55	58	/	58	59	73	89	70
- Trainee program for the unemployed with secondary education	84	77	77	97	86	91	94	96	69
Acquisition of practical knowledge	83	53	66	77	79	80	85	77	84
Subsidy for self-employment	69	72	74	89	72	82	84	93	50
Payment of a one-time unemployment benefit	/	/	/	/	86	76	/	/	/
Subsidy for job creation / employment of hard-to-employ persons	44	30	22	48	44	37	34	34	60

Subsidy of part of the salary of the beneficiary of financial social assistance	80	80	73	57	70	88	58	40	92
Public works	87	83	80	84	78	81	82	93	61
Incentive for employment of cash benefit users	90	86	94	100	90	100	100	93	56
Wage subsidy for PWDs without work experience	36	58	27	10	54	78	100	96	54

Source: NES

Table 31 shows the percentage of participants who had the status of an employed person 6 months after the end of the measure. At the beginning it should be noted that the decrease in efficiency in 2019 compared to previous years does not necessarily mean that there has been a decline in the success of the program. Since employment data refer to a period of 6 months after the end of the program, some participants enter the denominator, but not the numerator of the formula for calculating gross effects. Precisely for this reason, the general assessment will be based primarily on the efficiency trend in the period 2011-2018.

Observed by program groups, the highest percentage of success had a program group that belongs to the more expensive, and that is subsidies. Subsidies for self-employment proved to be particularly effective, with the percentage of employed beneficiaries ranging up to 97%. A significant increase in efficiency, of over 90%, was achieved in 2016 when the amount of approved subsidies was increased from 160,000 to 180,000 per beneficiary, while for redundancies from 2017, this amount was increased to 200,000. Subsidies for job creation had a slightly lower efficiency over time, but in the last 3 years their efficiency had first increased to over 80%, and then to over 90% in 2018. The increase in the effectiveness of the program in the second half of the implementation of the Strategy could potentially be related to its redesign. Subsidies for job creation inherited subsidies for employment of hard-to-employ persons after 2015. It is essentially the same program, so we cannot talk about the discontinuity of the measure, since the only difference was its greater selectivity. Namely, due to the fact that hard-to-employ categories could not be employed without additional support, subsidies have been channeled to them since 2015. In this way, the same amounts of money, with an increase for specially selected categories of 20%, are now paid to employers who employ young people up to 30 years, older than 50, redundant workers, Roma, PWDs, NSA beneficiaries, victims of domestic violence, etc. Both programs can be evaluated with a positive grade, precisely because their effectiveness has grown over time.

Incentive programs for financial assistance users, such as the payment of a lump sum benefit and incentives for the employment of assistance beneficiaries, at certain times recorded an efficiency of more than 80%. However, the number of beneficiaries of these programs is relatively negligible, especially in case of the second program whose number of beneficiaries did not exceed 40 during the year. As these two programs are activated only at the initiative of the user of the financial assistance it is necessary to work on better informing these people about their rights and opportunities during the period of receiving unemployment benefits in the future.

Wage subsidies for disabled people without work experience proved to be extremely effective in terms of subsequent short-term employment, whose efficiency did not fall below 80% during the observed period. The good results of this program suggest that the coverage of PWDs should be increased in the future, because this number ranged between 100 and 550 people in the previous period. The high percentage of employees is partly a result of the extremely low number of users after the program of

reimbursement of appropriate costs of adjusting the workplace, which have never exceeded more than 20 per year.

Public works were the most massive program during the implementation of the Strategy. In some years, the number of participants exceeded 10,000. However, its effectiveness is significantly lower than the subsidy program. Of course, public works cannot be exclusively observed through the prism of employment in the short term, their task is to provide first / re-contact with the labor market to particularly vulnerable groups whose knowledge and skills have eroded over time due to long absence from the labor market. However, it is unfavorable that, with the exception of 2014, public works are characterized by a significant decline in efficiency over time. The number of employed participants 6 months after the end of the measure was first reduced to 22% in 2013 compared to 44% in 2011, and after a short-term improvement in 2014 the negative trend continued until 2019. The drop in efficiency was partly due to a change in the design of the measure. Probably the most significant change occurred in 2016, when the efficiency of public works began to decline, with the exception of 2019. The change happened in the way of employing the unemployed who were employed for a fixed term until 2016, for a maximum of 6 months, while from 2016 the persons do not start employment but are engaged in temporary and occasional jobs that can last for a maximum of 4 months. A further decline in efficiency in 2017 was potentially contributed to by the change in the design of the measure, which stipulates that a minimum of 70% of those involved must come from multiple vulnerable groups, who are not likely to improve their position in the labor market without joining the measures. It is quite expected that due to their more difficult employability the effectiveness of the measure would slightly decrease, but as mentioned earlier, the efficiency of public works should not be seen exclusively through employment after 6 months.

The most expensive and at the same time the most massive program from the subgroup of additional education and training was the "First Chance". It can be said that it was, in a way, inherited by the Professional Practice program whose design irresistibly resembles the reduced version of "First Chance" - a version in which employers are not obliged to keep the employee for a certain period of time after the measure ends. The absence of this condition has affected the fact that the Professional Practice records slightly lower efficiency than the "First Chance", as evidenced by the data from the table according to which it has ranged between 40% and 50%. Slightly better results from the subgroup of additional education and training programs were achieved by the Acquisition of Practical Knowledge program, whose success rate was always above 55%. In particular, it should be noted that the increase in the effectiveness of the Acquisition of Practical Knowledge program has occurred in parallel with its expansion over time. From an efficiency of 58% when there were about 150 users, the program came to an efficiency of 89% with almost 6 times the number of users. The increase in efficiency is partly due to changes in the design of the measure in the sense that the conditions for employers have been relaxed as they have the opportunity to establish a fixed-term employment contract for a shorter period of time (3 instead of 6 months) since 2017. Employers are also given the benefit in the form of additional reimbursement of costs if they establish an indefinite contract with the hired person during the duration of the program.

It should also point out the trainings upon the request of the employer from the subgroup of additional education and training programs, whose success ranged between 65% and 85%<sup>27</sup>. However, it has been unfavorable that the number of participants has been constantly declining during the observed period, so this number dropped from over 2,000 participants in 2011 to about 600 in 2019.

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<sup>27</sup> Extremely small number of users in 2014

In summary, it can be said that the measures were not discriminatory when it comes to the percentage of employment of beneficiaries 6 months after leaving the measure. In other words, with the exception of FPEA, there is no specific measure in which a significantly lower percentage of female employment in relation to the total population has been continuously recorded. In the mentioned program, women in all observed years lag behind the total population, but it is not statistically significant - only 1 to 3 percentage points. On the other hand, mild (also 1 to 3 percentage points), but constant positive discrimination over time was noted in programs: (1) professional practice, and (2) subsidies for self-employment. Greater efficiency in terms of women's self-employment in relation to the total population is a good signal that women should be further encouraged and given the opportunity to become even more involved in entrepreneurship-related programs in the coming period.

### 3.8. Tax incentives for employment during the implementation of the Strategy

In addition to employment support measures implemented through the National Employment Service, employment was also encouraged through fiscal policy measures. Fiscal incentives have changed several times during the period of implementation of the Strategy. The changes were related to generosity, duration of incentives, qualification criteria for employers and employees, etc.

The first incentive measure during the implementation of the Strategy was adopted during 2011 when the Government of the RS adopted the Decree on Employment Promotion ("Official Gazette of the RS", No. 32/2011). According to this Decree, an employer from the private sector who employs a newly employed person for an indefinite period of time, who has not been employed for at least six months without interruption before employment, is entitled to a subsidy of 30% of calculated payroll tax and total contributions for pension and disability insurance for a period of 12 months. An additional condition that was required from the employers referred to the fact that starting from March 31, 2011, as long as the employment of the newly employed person lasts, he did not reduce the number of employees. A special incentive was provided for new employees who belong to hard-to-employ age groups, i.e. persons younger than 30 or older than 45 years of age. For persons of this age who meet the qualification requirement - have not been employed for the previous 6 months, the employer is entitled to subsidize the total amount of calculated payroll tax and the total contribution for pension and disability insurance, for a period of 12 months.

In mid-2014, the RS Government passed a Decree on the termination of the Decree on Employment Promotion. However, a person who has acquired the right to incentives from the Decree on Employment Promotion until the expiration of the Decree, continues to exercise this right. At the same time, a new system of employment benefits for the unemployed was coming into force. The legal basis for fiscal relief this time are the Amendments to the Law on Personal Income Tax and the Amendments to the Law on Contributions for Compulsory Social Insurance ("Official Gazette of the RS", No. 57/2014). These changes abolish the criterion of selectivity in benefits for newly employed persons and instead of the age limit the criterion for the amount of relief is the number of newly employed workers. In accordance with these changes, the employer is entitled to a refund of 65% of paid taxes and contributions if he has established an employment relationship with at least one and at most with nine newly employed persons. For a minimum of 10 and a maximum of 99 new employees, they are entitled to a refund of 70% of the contribution, while the percentage increases to 75% if an

employment relationship is established with at least 100 new employees. With the changes from 2016, reliefs of 75% were available for both micro and small enterprises and entrepreneurs who establish employment with at least 2 new employees. The relief refers to taxes, contributions for PDI, but also health contributions, which is a novelty in relation to the incentive from 2011. The qualification conditions have remained identical for both companies and employees - the former one must not reduce the number of employees, the latter one must be on the NES records for at least 6 months before the relief is granted.

In the four-year period for which data are available, it can be seen that the funds on the basis of reliefs have almost doubled, and that they were more than twice as high as the total budget intended for ALMP measures in 2019. When it comes to beneficiaries of benefits, it can be said that they were mostly companies with less than 10 newly employed workers. More than half of the workers, for whom the refund was made, worked in companies with less than 10 newly employed workers in all observed years, and more than half of the allocated funds went to them. The biggest expansion over time occurred in companies of this type, but also in micro and small companies and entrepreneurs who established employment with at least two new employees (according to the provisions from 2016).

*Table 32 - Employers, workers and the number of benefits according to the size of the company*

Number of new employees	Number of new employees	2016	2017	2018	2019
1-9	No. of employers	10413	11802	12571	14439
	No. of workers	16852	19351	21270	24786
	Value in millions of RSD	1908	2368	2772	3510
10-99	No. of employers	248	244	225	236
	No. of workers	5443	5752	5233	5585
	Value in millions of RSD	731	837	807	938
100+	No. of employers	145	190	173	145
	No. of workers	4323	3666	4365	4615
	Value in millions of RSD	517	562	678	889
Small, micro and entrepreneurs	No. of employers	790	1462	1477	1563
	No. of workers	2675	5916	6866	7553
	Value in millions of RSD	349	848	1043	1255
<b>Total</b>	<b>No. of employers</b>	<b>11596</b>	<b>13698</b>	<b>14446</b>	<b>16383</b>
	<b>No. of workers</b>	<b>29293</b>	<b>34685</b>	<b>37734</b>	<b>42539</b>
	<b>Value in millions of RSD</b>	<b>3505</b>	<b>4615</b>	<b>5300</b>	<b>6592</b>

Source: Data from the Tax Administration

It was envisaged that previously stated incentive measure would last for 2 years, i.e. until the end of June 2016. However, in following years, the validity of these measures has been extended on an annual basis, so they shall last until December 31 of the next year. This practice continued until the end of 2019, considering that a new set of measures was adopted at the beginning of 2020, according to which companies that establish employment with a newly employed person have the right to use gradually decreasing benefits in the next 3 years. Reimbursement of payroll taxes and PDI contributions will be done according to the following scheme:

- during 2020: 70% tax and 100% PDI contribution
- during 2021: 65% tax and 95% PDI contribution

- during 2022: 60% tax and 90% PDI contribution

The health insurance contribution and the unemployment contribution (a total of 11.05%) are not subject to exemption and are paid during these years. An important difference in relation to the design of previous benefits refers to the qualification criteria of newly employed persons on two grounds. The time during which the person was not employed has been extended - 12 instead of 6 months, but the status requirement has been relaxed - it is important that the person was not employed in 2019 (he was not insured on this basis), but not necessarily on the NES records.

Judging by the gross effects, these benefits can be considered a relatively successful instrument for stimulating employment. The percentage of beneficiaries who had the status of an employed person 6 months after the end of the measure increased over the years, from the initial 51% it increased to 68% in 2015, followed by a slight decline. The value from 2016 should be taken with reserve because a large number of people still participated in the program, and the number of those whose status can be checked 6 months after the end of the program had been systematically underestimated. This is evidenced by the data for 2018 and 2019, when the relief based on Article 45 of the Law on Contributions for Compulsory Social Insurance was used by 202 and 206 beneficiaries, and it was recorded that only 1 person had the status of an employee 6 months after leaving the measure. The main thing to keep in mind in regard to this analysis is that with the entry of the new Regulation from 2014 into force, benefits were transferred from the competence of the NES to the competence of the Tax Administration, except for benefits related to employment of persons with disabilities.<sup>28</sup> Thus, elaborated gross effects refer exclusively to the beneficiaries of the relief program realized through the NES, ending with 2014, and, since 2015, only to the gross effects of the relief for employment of persons with disabilities

*Table 33 - Gross effects of benefits under Article 45 of the Law on Contributions for Compulsory Social Insurance*

Measure	2011	2012	2013	2014	2015	2016	2017	2018	2019
Reliefs based on Art. 45	51	54	58	64	68	63	37		

Source: NES

### 3.9. Cash Social Assistance

The Law on Social Protection stipulates that the amount of cash social assistance (CSA) is recognized in the amount of the difference between the maximum amount of CSA and the amount of average monthly income of an individual / family earned during the three months preceding the month in which the CSA application was submitted. The basis for determining the amount of CSA is defined by the Law and is harmonized with the movement of consumer prices twice a year. The initial value of the base in 2011 was set at the level of 6,050 dinars. The total amount of CSA on a monthly basis depends on the family structure and is determined according to the following scale:

- Rights holder (head of the family) - 1 x value of the base
- Each additional adult - 0.5 x value of the base
- Child - 0.3 x value of the base

<sup>28</sup> Article 45b of the Law on Contributions for Compulsory Social Insurance

Table 34 - Monthly net amounts of maximum CSA, minimum wages and average wages in 2011 and 2019

	2011	2019
Base for social assistance	6050	8508
Amount of maximum monthly social assistance		
One-member family	6050	8508
A family of two	9075	12762
A family of three	10890	15314
A family of four	12705	17867
Minimum wage (net)	17181	27022
Average wage (net)	37976	54919

Source: Ministry of Labor, Employment, Veteran and Social Affairs, Socio-Economic Council and SORS

Table 34 shows the amounts of CSA for households of different structure<sup>29</sup>. Based on the comparison of CSA and minimum and average wage we see that in 2011 the amount of CSA for a single-member family was about 35% of the minimum wage, or about 16% of the average wage. The CSA for a family of four was not enough to reach the level of the minimum wage in 2011. The maximum amount of basic CSA received by a family of four defined in this way was 3/4 of the minimum monthly wage and 1/3 of the average monthly wage - but it should be borne in mind that households with able to work CSA users are paid a maximum of 9 months a year. Slightly more favorable situation was in cases where one or more adult members were not able to work, in which case the CSA would be increased by 20% for each member who meets the stated condition. This would increase the monthly amount of CSA for a family of four, but would still be below the minimum wage (85%).

Although the value of the base in the observed period increased by about 2,500 dinars due to the growth of consumer prices with which CSA is only indexed, the relative position of CSA users has significantly deteriorated. This was due to the faster growth of the average wage and especially the minimum wage. Accordingly, the amount of CSA for a single-member family represents only 31% of the minimum wage in 2019, which is a decrease of about 4 percentage points compared to 2011, or 15.5% of the average wage (a decrease of 0.5 percentage points). Quite expected, due to the design of the CSA, an even greater deterioration of the relative position was observed in the case of multi-member families. Thus, the ratio of CSA for a family of four and the minimum wage decreased by about 8 percentage points compared to 2011, while the ratio of CSA and average wage decreased by 1 percentage point. In addition, the slower growth of the limit for obtaining CSA in relation to the growth of living standards over time leads to a reduction in already modest number of users<sup>30</sup>.

The fact is that, due to their qualifications, CSA beneficiaries would largely have incomes that are at the level of the minimum wage in case they would be activated on the labor market. Therefore, the increase in the gap between the amount of CSA and the amount of the minimum wage, which was recorded in the previous period and which will continue under normal circumstances, is assessed as particularly unfavorable. Although too high value of CSA can potentially discourage the activation of CSA beneficiaries, this is not the case in Serbia, so the marginal benefits of accepting a job are

<sup>29</sup> A two-member household includes two adults, while a three-member and four-member household include two adults and one or two children.

<sup>30</sup> <http://socijalnoukljucivanje.gov.rs/rs/ocena-kretanja-siromastva-zivotnog-standarda-i-odgovor-na-posledice-covid-19-pandemije/>

significantly higher than the marginal costs of losing social assistance. Given that the CSA is the only minimum income program in Serbia, but also rated as one of the social assistance programs that targets best those from the poorest quintile (World Bank, 2015), potential minimal side effects in the labor market should be ignored for the sake of significant positive effects in terms of poverty reduction and income inequality.

As part of the general recommendation for reorientation towards incentive measures aimed at activating vulnerable groups, primarily users of CSA and other social assistance services, it is necessary to prepare the introduction of work benefits in the coming period, following the example of most European and Anglo-Saxon countries. Benefits for work basically extend the rights from social assistance, including cash benefits, or award a new type of cash benefits, to employees who are at risk of working poverty, for example due to their family situation. Thus, formalizing work activity and remaining in employment status is not a big expense for them. Instead of choosing between legal work and social assistance and other services, they can count on both up to a certain salary limit.

*Activation of beneficiaries of financial social assistance and integrated services through cooperation between the NES and CSW*

The Law on Social Protection, adopted practically in parallel with the adoption of the Strategy in 2011, declared the activation of social assistance beneficiaries who are able to work as one of its key goals. In the background of the original legal provision was an effort to improve the cooperation between the centers for social work and the National Employment Service in helping social assistance beneficiaries able to work to find a suitable job in order to get out of the inactivity trap. However, it can be said that the realization of this idea was not well prepared, and that the NES in particular was imposed externally in a certain way. Centers for social work and branches of the NES are organized on different principles, the first as decentralized units, and the second as parts of one single organization.

An attempt to make a greater breakthrough in this domain resulted in the Decree on measures of social inclusion of beneficiaries of financial social assistance, which was adopted by the Government in October 2014 and in which the activation was operationalized in a more concrete way. From the brief annual reports of the NES, it can be concluded that the main activities in this area are signing of protocols on local cooperation between CSW and the NES, as well as referring able to work CSA users to services provided by the NES. Total of 101 protocols on cooperation have been signed, and it is important to note that these protocols are not signed annually, but on the basis of those that were signed once, continuous cooperation between the two institutions at the local level is implemented. Also, the NES has a specially established procedure for working with CSA beneficiaries sent from CSW under the Decree, which provides more intensive advisory work with these persons and an additional priority for inclusion in ALMP measures.

The most controversial provision of the Decree refers to the possibility provided to centers for social work to organize socially useful work, volunteer programs and public works for beneficiaries of financial social assistance in cooperation with local authorities. This de facto institutionalized the possibility of introducing work-conditioned social assistance, including unpaid work (similar to the concept of workfare) - which is not explicitly mentioned in the Law on Social Protection. The initially ambivalent and potentially empowering provision changed to a restrictive interpretation of the human and labor rights of beneficiaries of cash social assistance, which emphasized that the measure would primarily stand in the way of abuses of social assistance<sup>31</sup>.

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<sup>31</sup> Arandarenko, M., Krstić, G. and Žarković Rakić, J., 2017. Dohodna nejednakost u Srbiji, Od podataka do politike. *Friedrich-Ebert-Stiftung, Beograd*.



The Ombudsman submitted to the Constitutional Court a Proposal for the assessment of the constitutionality and legality of the Decree at the end of 2014. The Ombudsman was particularly concerned that the Decree introduced additional conditions that do not exist in the Law on Social Protection, which is hierarchically above any decree, and that 'socially useful work' is not precisely defined, which, according to the Ombudsman, created serious legal uncertainty and opened the possibility of abuse of citizens' rights in a state of social need.

Apart from the objections which were based on a potential violation of human rights, perhaps even more serious is the essential objection that the Decree violates the 'implicit contract' between the state and the beneficiaries of cash social assistance established by the Law on Social Protection. In the first place, the maximum amount of cash social assistance in Serbia is set at a level that is below nationally defined absolute poverty rate. Furthermore, cash social assistance is paid to families with able to work members for only nine months a year. Since the assumption is that during the remaining three months, able to work household members who are social assistance beneficiaries will be engaged in seasonal, temporary and similar informal jobs, the imposition of socially useful work obligations directly endangers their survival mechanism.

There is no information that unpaid 'socially useful work' is used in local communities more widely. Yet the above stated cases, as well as several other described examples of endangering or reducing the rights of vulnerable groups through institutional reforms over the past decade, show how important it is for access to unemployed welfare beneficiaries to be truly integrative and permissive. In this area, including well-prepared legal changes, formal space should be further opened to civil society organizations that have the most experience in working with the most vulnerable categories of the population.

Roma and members of other vulnerable groups make up an increasing share of new entrants to the labor market, but the relative gap in relation to the rest of the population in terms of their educational attainments and general socio-economic situation is not narrowing. The World Bank has estimated that up to 30% of new entrants to the labor market will be from marginalized and vulnerable groups such as the Roma<sup>32</sup> by 2030. Back in 2011, it was calculated that the social exclusion of Roma cost the country between 1% and 3.5% of GDP.

These little-talked-about losses will further increase. Therefore, it is necessary to radically change the overall approach to the issue of empowering vulnerable groups, which would bring the concept of social investment to the center of attention of social and development policy. In the European Commission's interpretation, it is based on policies designed to strengthen people's knowledge, skills and capacities and support them to participate fully in employment and social life. Key policy areas include education, quality child care, health care, training, job search assistance and rehabilitation.

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<sup>32</sup> <http://pubdocs.worldbank.org/en/260201580323446491/SRB-CEM-Building-a-Skilled-Workforce.pdf>

## 4. ANALYSIS OF THE IMPLEMENTATION OF THE STRATEGIC PRIORITIES OF THE STRATEGY IN THE PERIOD 2011-2019.

### 4.1. Encouraging employment in less developed regions and development of regional and local employment policy

Encouraging employment in less developed regions and the development of regional and local employment policy is defined as one of the basic priorities of the Strategy. It should be reminded here that at the time of preparation and in the first year of implementation of the Strategy, the Employment Sector was part of the Ministry of Economy and Regional Development (MoERD), and that opportunities for active regional and local employment policy were greater in that context.

Regardless of the status changes, the activities of the Labor and Employment Sector of the Ministry of Labor, Employment, Veteran and Social Affairs (MoLEVSA), with the support of the National Employment Service (NES) and its branches at the local level were aimed at establishing cooperation with local self-governments (LSG) and local employment councils (LEC). Informing and training representatives of local self-government and local employment councils in the field of creating and implementing local employment plans was one of the important tasks in order to encourage employment in less developed regions and the development of regional and local employment policy.

One of the instruments applied during the implementation of the Strategy in order to reduce regional disparities was based on the preferential treatment of less developed local self-government units. The first step in the direction of differentiation of the region according to the level of development was the adoption of the Decree on determining the methodology for calculating the level of development of the region and local self-governments ("Official Gazette of RS", no. 42/2010)., according to which, in addition to regions, LSG units are classified in four categories, with the devastated areas being singled out within the fourth category. In the period 2010-2014 the classification of local self-government units was performed on the basis of various socio-economic indicators (such as per capita income, unemployment rate, level of education, demographic trends, etc.). Over time, the regrouping went in the direction of increasing the number of LSG units of II and III levels of development, to the detriment of reducing the number of LSG units that are among the most developed. Interestingly, the number of LSG units in the least developed category (IV) has hardly changed over time, but the number of devastated areas which are a subcategory of Group IV (below 50% of the national average), has decreased significantly. The Decree on establishing a single list of development of regions and local self-government units ("Official Gazette of RS", No. 104/2014) from 2014 stopped the practice of annual regrouping of local self-government units, so that until today the number of local self-government units according to development groups remained as follows: I - 20; II - 34; III - 47 and IV - 44 (of which 19 are devastated areas).

Differences in level of economic development between individual regions in Serbia are reflected in specific conditions and characteristics of local labor markets. This has largely influenced the need to identify the most vulnerable categories of the unemployed in local communities, as well as to specify the target groups for which special ALMP measures will be created within the LEAP. When the Strategy was adopted, the situation in local communities was such that only around ten local self-government

units adopted the LEAP for 2010. In the first year of implementation of the Strategy<sup>33</sup>, activities were carried out in the field of 1) Promotion of strengthening responsibilities and the level of competencies in support of employment policy creation at regional and local level (two regional conferences were organized where the Strategy was presented and workshops for LAEP were held), 2) Support to the creation of Local employment action plans (121 LEAPs were developed on the basis of which requests for co-financing were submitted), 3) Co-financing of active employment policy programs and measures from the national budget (co-financed implementation of programs and measures in 100 local self-government units) and 4) Capacity building for migration management (training was held for advisors of migration centers, migration centers in three branches - Novi Sad, Novi Pazar and Niš started working, and the formation of migration centers in Bor, Kraljevo and Kruševac began).

The way of reporting on the realization of goals was not consistent during the period of implementation of the Strategy, so based on annual reports it is very difficult to monitor and make comparisons, both in terms of quantitative indicators and qualitative information on basis of which clear insight into the distribution of funds to LSG units according to the level of development would be acquired. In the period from 2013 to 2019, the annual reports on the implementation of the NEAP report in detail on the participation of LSG units and RS (through the NES) in financing measures envisaged under the LEAPs (through co-financing), LSG units funds implemented through technical cooperation agreements, as well as activities for support of the development of regional and local employment policy. Data on the level of development of LSG units, which are supported through the LEAPs co-financing program are an integral part of the decisions on participation in financing the ALM programs or measures envisaged by the LEAPs made by the ministry in charge of employment on an annual basis. Given that data on implemented LEAPs (regardless of modality) are not presented in reference reports by level of development of the local self-government unit, more detailed reporting on AEP measures should be provided in the future, which would require separate monitoring of co-financing of LEAP measures and financing of measures on the basis of the technical cooperation agreement. In this way, it would be possible to monitor the allocated and spent funds by regions and municipalities according to the level of development, and it should be insisted on continuous monitoring of their effects (based on data on the coverage of persons and employment) as well.

In order to compensate for the impossibility of a deeper analysis of employment incentives in less developed areas based on LEAP co-financing to some extent, NES data on the number of signed co-financing agreements with LSG units according to the level of LSG development were analyzed. Considering that the last Decree on determining the unified list of development of the region and local self-government units, adopted in 2014, is still valid, the data can be tracked from 2015. Data do not indicate significant changes in the structure of co-financing of LEAPs according to the level of development of municipalities. Namely, the number of signed agreements in the observed period increased from 84 in 2015 to 105 in 2019, while the dominant share was maintained by municipalities from groups III and IV (including devastated areas). According to the Decree from 2014, which did not change until the end of the observed period, the largest number of municipalities in Serbia is categorized within these two groups (32.4% and 30.3%, respectively). The data indicate that the municipalities from category IV (including devastated areas) with which a co-financing agreement was signed during the observed period were more represented, and their share ranged from 33% to 36%.

*Table 35 - Co-financing of LEAPs according to the level of development of municipalities in the period 2015-2019*

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<sup>33</sup> Report on the implementation of the NEAP for 2011, available at: <https://www.minrz.gov.rs/sr/dokumenti/izvestaji/sektor-za-rad-i-zaposljavanje>

	Participation (%) of municipalities according to the level of development in the total number of municipalities with which the LEAPs co-financing agreement was signed				
Level of development	2015	2016	2017	2018	2019
Level I	13.10	15.48	17.43	17.92	14.85
Level II	15.48	10.71	16.51	17.92	13.86
Level III	35.71	38.10	33.03	30.19	34.65
Level IV	20.24	19.05	18.35	17.92	17.82
Devastated areas	15.48	16.67	14.68	16.04	18.81
TOTAL	100	100	100	100	100

Source: NES

Activities aimed at promoting the strengthening of responsibilities and the level of jurisdiction in support of employment policy creation at regional and local level, and providing support to LEAPs through trainings, organized meetings and workshops and maintaining continuous direct communication have had significant effects reflected in increased number of municipalities which adopted LEAPs and applied for co-financing of AEP measures. The number of LEAPs at the LSG level that were interested in co-financing employment programs and measures was growing during the initial period of implementation of the Strategy and stabilized later at the high level reached. As early as 2013, as many as 136 local self-government units submitted a request. In the following years, the number of local self-governments interested in co-financing the ALMP measure ranged between 97 and 125 (with the exception of 2014 when, due to lack of funds in the budget rebalance and reduction of available funds for the implementation of AEP measures, (including LEAP) there was no co-funding of LEAPs. The number of realized requests also increased, from 83 in 2015 to 101 in 2019<sup>34</sup>. The increase in the number of local self-governments interested in co-financing ALMP measures is the result of continuous support to local self-government units in the development of LEAPs. Also, in order to encourage employment in less developed regions, and the development of local and regional employment policy, during the implementation of the Strategy, a number of donor projects were implemented, including: Twinning project "Preparation of labor market institutions in the Republic of Serbia for the European Employment Strategy" (IPA 2011), USAID Sustainable Local Development Project that contributed to the formation of 8 inter-municipal partnerships to interconnect local self-governments and promote regionalization (2012), Direct Grant and Technical Support (IPA 2012) "Increasing the efficiency of employment of vulnerable groups" which provided training to a number of local self-governments to write local action plans.

In addition to co-financing LEAPs, local self-governments also have the opportunity to fully independently finance the implementation of planned ALMP measures, according to their own criteria and requirements, based on signed agreements on technical cooperation with the NES. The reports on the implementation of the NEAP during the observed period state that the number of local self-government units that decided to independently (based on technical cooperation agreements) finance

<sup>34</sup> NEAP reports for the years 2012 to 2019, available at <https://www.minrzs.gov.rs/sr/dokumenti/izvestaji/sektor-za-rad-i-zaposljavanje>

the AEP measures from local budgets increased from 2014 when there were 53, to 56 in 2019. Also, there was a significant increase in the amount of funds realized for LEAP measures on the basis of technical cooperation.

In order to monitor the achievements in encouraging employment in less developed regions as a strategic priority, available data on the spent funds of local self-government to finance the measures envisaged by the LEAP, as well as the number of persons involved in the observed measures were analyzed.

Based on data, it was possible to monitor changes in relation to the total funds spent by municipalities to finance measures envisaged in the LEAPs, for measures: 1) additional education and training, 2) employment subsidies and 3) public works. The total realized funds of local self-government units increased 3.3 times in 2019 compared to 2011, i.e. from about 244 million RSD to about 817 million RSD (see Table 36). In addition to the above, it is noticeable that there is an increase in the realized funds for each of the observed three measures, but that the structure of the total realized funds changes significantly in favor of the public works measure. Funds spent on public works in 2011 participated in the total realized funds with 2.3%, while in 2019 that share amounts to as much as 37.8%. At the same time, the share of realized funds for employment subsidies fell from the initial 59% in 2011 to 34.5% in 2019, while the share of funds intended for financing additional education and training programs fell from the initial 38% in 2011 to 27.7%. in 2019. It is pointed out that the modality of realization of LEAPs through technical support has been applied since 2014, but in the years before 2014 cooperation with local self-government units was realized through employment programs of municipalities.

Table 36 - Overview of the allocation of funds from the local self-government budgets for local employment policy

Funds allocated from the LSG budgets for the implementation of AEP measures (AET, subsidies and public works)				
Year	Total funds allocated	PW	AET	Subsidies
2011	<b>243.940.253</b>	5.717.743	93.537.629	144.684.881
2012	<b>391.683.068</b>	48.975.888	190.701.650	152.005.530
2013	<b>370.994.253</b>	82.909.222	95.565.086	192.519.945
2014	<b>483.192.101</b>	46.794.413	211.858.688	224.539.000
2015	<b>653.761.451</b>	207.801.912	262.835.064	183.124.475
2016	<b>756.347.500</b>	299.784.172	280.475.122	176.088.206
2017	<b>792.310.466</b>	312.720.392	203.943.085	275.646.989
2018	<b>835.870.018</b>	315.250.994	213.728.819	306.890.205
2019	<b>816.681.536</b>	308.611.622	226.445.633	281.624.281

Source: NES

Therefore, the realized funds for public works in the observed period increased 54 times, while the realized funds which financed the other two measures (additional education and training and employment subsidies) increased 2.4 and 1.9 times, respectively. Probably the most visible positive discrimination was recorded in the program Subsidies for job creation, the amounts of which were

inverse to the level of development of local self-government, but the growth of funds for this program was the slowest.

However, compared to 2017, there is a decrease of funds spent on public works (the decrease was about 2.3%) in 2019. The reason for this is the fact that the implementation of public works, including co-financing of this measure, is possible only in less developed and devastated areas, i.e. areas facing insufficient vacancies, except when public work is organized for PWD (due to their unfavorable market position). In the developed areas there was a better offer of jobs, which made it difficult to include persons in the measure (it was more difficult to find interested persons), which is why the mentioned changes were introduced. This has resulted in less funding for public work and increased funding for other measures, such as additional education and training.

In addition to the above mentioned, it should be noted that, the Analysis of LEAPs for 2018 was published within the project "Youth Employment Promotion - YEP", implemented by the German Organization for International Cooperation (GIZ) in partnership with the Ministry of Youth and Sports of the Republic of Serbia, within the German-Serbian Development Cooperation for 2018<sup>35</sup>. The analysis states, among other things, that the greatest interest of local self-government units was recorded in the program of public works, and the least in the programs of additional education and training. It was especially pointed out that the conditions for inclusion in the measure of public works were more flexible when it comes to co-financing, so all persons from the category of hard-to-employ could be included, according to the situation on local labor markets<sup>36</sup>. Based on the above, the justification of the measure may be questioned, i.e. whether it primarily meets the needs of local employers, especially in relation to the established ban on employment in the public sector, or it is created according to the real needs of individuals in order to encourage their employability and employment? Although the answer to this question requires a deeper analysis that is outside the scope of this ex-post evaluation, it is obvious that we should continue to review the feasibility of public works and consider setting less flexible conditions for the implementation of this measure on the basis of co-financing. In the forthcoming period, within the new Employment Strategy, priority should be given to additional education and training programs, especially when it comes to young people in rural areas and economically less developed municipalities, but also when the goal is to improve the professional knowledge and competencies of unemployed people in order to increase their employability. This comes from the findings of the World Bank's thematic report from 2019 (Building a Skilled Workforce)<sup>37</sup> which indicates large disparities in the level of acquired knowledge and skills in Serbia, which are conditioned by socio-economic position, with students from rural areas achieving lower scores on basic knowledge tests. In addition, the possibility to enable co-financing of ALMP measures that would be specially created according to the needs of local labor markets and whose implementation would be monitored by the competent Ministry through the existing LAEP control mechanism should be considered, in the direction of further decentralization.

In addition to the amount of realized funds for measures of additional education and training, subsidies for employment and public works, the trends in the total coverage of persons are analyzed below. The

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<sup>35</sup> Analysis of Local Employment Action Plans for 2018, Belgrade: May 2018

<sup>36</sup> LSGUs through LEAP have the opportunity to include categories of unemployed persons in selected ALMP measures (not only public works), which are determined on the basis of the analysis of the local labor market and listed in LEAPs.

<sup>37</sup> Building a Skilled Workforce, World Bank, 2018, available at: <https://www.worldbank.org/en/country/serbia/publication/serbia-new-growth-agenda-background-papers>

table below provides data specifically for co-financing, technical cooperation agreements, and aggregate<sup>38</sup>.

*Table 37 - Number of persons involved in measures implemented by local self-government funds in the period 2011-2019*

COVERAGE OF PERSONS WITH MEASURES OF ADDITIONAL EDUCATION AND TRAINING, SUBSIDIES FOR CREATION OF NEW JOBS AND PUBLIC WORKS IMPLEMENTED FROM THE BUDGET OF LSGs ON THE BASIS OF CONTRACTS ON CO-FINANCING AND TECHNICAL COOPERATION (LEAP)									
Year	Co-financing			Technical cooperation			Aggregate LSGs		
	AET*	subsidies	PW	AET*	subsidies	PW	AET*	subsidies	PW
2011	2150	962	0	0	0	0	2150	962	0
2012	0	343	581	0	0	0	0	343	581
2013	802	783	796	0	0	0	802	783	796
2014	0	0	0	788	1249	419	788	1249	419
2015	377	0	4179	1689	1260	1163	2066	1260	5342
2016	786	522	3006	1690	679	1424	2476	1201	4430
2017	884	969	3584	1167	564	903	2051	1533	4487
2018	105	1174	3427	991	527	920	1096	1701	4347
2019	637	1043	2115	1038	429	1041	1675	1472	3156

Note: PW - public works. AET in the table above include training programs for the labor market, training for a well-known employer, trainee, professional practice and acquisition of practical skills, based on data sources for the observed year.

Source: NES

As noted, in order to monitor the implementation of measures and their effects in the future it is necessary to improve the system of data collection and analysis, and the way of reporting of NES and, consequently, MoLEVSA, because due to lack of consistency in providing data and information on activities it is not always possible to monitor continuity and assess the realization of set priorities and goals. Therefore, the above table should be viewed primarily as an illustration of trends when it comes to the coverage of persons with measures implemented from the funds of local self-governments. Namely, the observed trend follows the previous finding that in the observed period, local self-governments primarily encouraged the employment of persons through involvement in public works, with the largest number of persons (over 5,000) covered in 2015, after which there is a decrease in the number of persons, first by about 1000 (in the period from 2016-2018), and then by 2000 people (2019). However, in 2019, the number of persons covered by public works is almost twice as high as the number of persons involved in each of the other two measures (subsidies and AET). It is especially important to note that AET programs recorded a significant decline in terms of the number of persons involved during the observed period, which makes them the only out of three measures in which the number of persons covered was lower in 2019 than at the beginning of the Strategy (index 0.78).

We can notice from the table above that starting from 2014 persons have been included in the measures based on the technical cooperation agreement, the financing of which has been provided by local self-governments independently. Even in the case of self-financing, the number of persons involved in the measure of public works increased over time, but not to the extent as this was in the case of co-financing. Given that the selection criteria in technical cooperation agreements are different from those applied by the NES and that the recruitment and selection of local self-governments could

<sup>38</sup> Data from the NES database was used for this analysis: Persons included in LEAP measures 2011-2019

be fully adapted to their needs, it would be useful to make an analysis that would compare the effectiveness of measures depending on funding (co-financing and technical cooperation agreements), as well as the category (i.e. target groups) of the persons involved in the measures. The table below shows the total amount of funds that are independently provided by the local self-government for the implementation of the LEAPs on the basis of the agreement on technical cooperation for the period from 2014 to 2019.

*Table 38 - Independent financing of LEAPs from the local self-government budget in the period 2014 to 2019*

Realized funds for LEAPs on the basis of technical cooperation agreement with NES	
Year	TOTAL
2014	39.641.005,49
2015	466.106.077,43
2016	494.713.308,38
2017	345.836.352,38
2018	370.888.583,83
2019	431.658.006,09

Source: NES

Previously mentioned clearly indicates that during the period of implementation of the Strategy, numerous activities were carried out in order to provide support to local self-government units in the development of LEAPs, and that they participated in co-financing measures, but also allocated additional funds for self-financing measures and programs with technical assistance from NES. Additionally, since 2017, regional meetings with LSG units have been organized continuously. The Report on the implementation of the NEAP for 2017<sup>39</sup> states that in the period May-July 2017, with the support of the Team for Social Inclusion and Poverty Reduction, the technical support project from the IPA 2012 program cycle and GIZ, realized four regional meetings on "The role of local self-government units in achieving the goals of employment policy", in which 166 representatives of 70 local self-government units, branches and the NES Head Office, MoLEVSA and other institutions and social partners, donors and experts took part. This type of cooperation with LSG units, based on the peer review model applied by EU institutions and organizations in order to exchange knowledge and experiences and improve cooperation between partners, continued during 2018 and 2019. The Report on the implementation of the NEAP for 2018 states that, thanks to donor funds provided by GIZ, within the project "Youth Employment Promotion - YEP", the Analysis of the NEAP for 2018 was conducted. In 2020, the inclusion of new local self-governments was agreed with the SCTM (Standing Conference of Towns and Municipalities), and two regional meetings at which representatives of local self-governments were presented with NEAP for 2020, measures whose co-financing is planned, were held, as well as Analytical service of local self-governments which should serve as a support to local self-governments in the analysis of indicators important for describing the situation in local labor markets and planning measures<sup>40</sup>.

<sup>39</sup> NEAP report for 2017, available at <https://www.minrzs.gov.rs/sr/dokumenti/izvestaji/sektor-za-rad-i-zaposljavanje>

<sup>40</sup> More about this at: <http://socijalnoukljucivanje.gov.rs/rs/podrska-u-realizaciji-lokalnih-akcionih-planova-zaposljavanja-u-2020-godini/>



The changes taking place within the local self-government and the high fluctuation of individuals from local self-governments who have previously undergone training for the development of LEAPs and participated in providing guidelines to include new measures created based on local needs in LEAPs, might be one of the problems which has negative impact on expansion of local programs. The departure of trained individuals leads to the adoption of almost identical LEAPs each year in some local self-governments, which do not follow the real changes in local labor markets and the need to create specific ALMP measures. Support for the involvement of local self-governments in the planning of programs and measures is based on the idea that local councils can better understand the context, identify local needs and identify which persons are most vulnerable in certain local environments. Involving local self-governments in the planning and implementation of ALMP measures can be considered a positive step towards decentralization, and this positive experience should be used for further development of regional and local policy. However, special attention should be paid to the findings of the analysis conducted within the Technical Assistance for the Management of the IPA 2012 Direct Grant in 2016, that local self-governments have yet to show their commitment to providing support to vulnerable categories in the labor market, and that, judging by the results, question about their willingness to be truly involved in decentralized employment policy-making, as well as their understanding of the basic guiding principles<sup>41</sup> may be raised.

Having all of the above in mind, we should continue to train local actors and strengthen local self-government, especially the less developed ones, to be involved in the process of LEAP planning and creating specific ALMP measures that can be applied in local labor markets through already established good cooperation with MoLEVSA and NES with participation of all relevant social partners. Examples of successful practices should be further encouraged (for example by allocating a larger amount of funds for the next year, organizing events where their work will be presented, etc.) and used as a model that would allow other local governments to gain a high level of understanding of local employment policy by creating innovative measures that could be applied in their local self-communities (for example: support to cooperatives and social enterprises, providing mentoring with a self-employment measure lasting one year, in the field of accounting, tax administration and marketing) as well as identifying specific target groups from vulnerable category (for example, women 58+ and men 60+, which were foreseen in the LEAPs in municipalities of Novi Sad, Pančevo and Šabac). It is necessary to create programs that would promote competitiveness among municipalities within the same level of development and administrative capacity, in order to provide them with an additional incentive to improve their LEAPs and create innovative measures. This is possible by providing financial incentives (for example, the RS budget for co-financing in the coming year could be increased by a certain percentage of funds that would be used to finance innovative measures) or by organizing events, in cooperation with donors and civil society organizations, where the best LEAPs implemented in the previous year would be awarded (or specific innovative measures).

## 4.2. Improving human capital and greater social inclusion

### 4.2.1. Career guidance and counseling

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<sup>41</sup> Marjanović, D., Lutovac, I. Assessment of the area, scope and effects of active labor market programs, with a focus on vulnerable categories, implemented through local employment action plans in the period 2010-2016, Technical Assistance for Management of IPA 2012 Direct Grant, Belgrade 2016

Improving human capital and social inclusion is one of the priorities of the Strategy, which should contribute to economic growth based on knowledge, through the harmonization of supply and demand in the labor market, bearing in mind the necessary knowledge and skills and competencies on the supply side. In order to improve human capital and greater social inclusion numerous activities were initiated and implemented in the direction of: a) career guidance and counseling, b) increasing competencies through the acquisition of additional knowledge and skills through short trainings, c) recognition of knowledge and skills acquired through non-formal learning; and d) encouraging entrepreneurship.

The first Career Guidance and Counseling Strategy was adopted in March 2010 and was aligned with other sectoral strategies. The National Employment Strategy 2011-2020 envisages further development of professional guidance, through improving the capacity of the NES to provide services in the field of career guidance and counseling, as well as through the development of career guidance and counseling activities at the local level, connecting with educational institutions, civil society organizations and youth offices.

Already in the first years of the implementation of the Strategy (2011-2013), a lot was done on the development of career guidance and counseling, and this was contributed, among other things, by current international donor projects and support in this area (for example Project Professional orientation on the transition to high school supported by GIZ piloted cooperation among numerous actors and teams for professional orientation as well as career guidance and counselling<sup>42</sup>, USAID Sustainable Local Development Project, Skills for the Future in the Western Balkans and Turkey, with the support of the ETF). Services provided under CIPC at the NES have been improved, three mobile teams have been formed in three areas of inter-municipal cooperation in order to strengthen capacity in providing career guidance and counseling services, cooperation between CIPC at the NES and youth offices has been established, Career Development Centers at Universities and Colleges have been founded, and a Guide for Occupational Choice has also been developed.

Further activities in the direction of strengthening career guidance and counseling continued in the second half of the period of implementation of the Strategy. Serbia has become a full member of the European Network for Lifelong Learning Policy since 2015. With the help of international donors and projects (for example GIZ, Praksam project, Tempus project) informative materials and brochures were made, information via internet platforms and materials in electronic form was launched, various events were organized to inform about career development opportunities and career guidance and counseling (career guidance and counseling fairs, fairs in the field of professional orientation, symposia, conferences, workshops, etc.).

With the funds provided through the IPA 2012 Direct Grant with the Technical Support for the Management of the Direct Grant in 2016 20 new CIPCs were established, 10 CIPC in the NES branch offices and an additional 10 at the local self-governments. Previously, CIPC existed in three largest branch offices of the NES, including Belgrade, Niš and Novi Sad. The newly opened CIPCs within the NES were opened in the following 10 branches: Kikinda, Zrenjanin, Pančevo, Jagodina, Šabac, Požarevac, Kragujevac, Zaječar, Sremska Mitrovica, Čačak. In addition, 10 CIPS were established in following LSGs: Loznica, Kraljevo, Novi Pazar, Kruševac, Niš, Pirot, Užice, Leskovac, Kosovska Mitrovica and Ub. Within the project Increasing the effectiveness of employment policy towards vulnerable groups, a training was conducted for counselors in 10 CIPCs at the local self-governments in 2016. Within the Technical Assistance for the Management of the IPA 2012 Direct Grant in Belgrade an evaluation of the interventions covered by the direct grant agreement within the IPA 2012, including

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<sup>42</sup> More information on: [www.profesionalnaorijentacija.org](http://www.profesionalnaorijentacija.org)

CIPC, was performed in 2017. It was concluded that this intervention was successful in terms of relevance and effectiveness, as well as partially successful in terms of efficiency (primarily due to the high initial costs of opening CIPCs in local self-governments and uncertainty regarding their sustainability).

The Report on the work of the NES for 2019 states that 7605 people used the services of direct career information within 13 CIPCs at the NES branches, 10692 people used the counseling service on career development opportunities, and 10184 people used the selection service. When we look at the data for the period 2015-2019 on the effects of NES measures, it is noticeable that the largest coverage of persons with the service of professional orientation was in 2016 and 2017 (48766 and 44131 persons, respectively), while in 2015 this service included 42217 persons. A significant increase in the coverage of persons who received vocational guidance services in this period corresponds to the establishment of 20 new CIPCs within NES and LSGs funds from the IPA 2012 Direct Grant, which operated from June 1, 2016 to the end of December 2017<sup>43</sup>. On the other hand, the coverage of persons, when it comes to the service of professional orientation, was lower during 2018 and 2019 and amounted to 35951 and 38570, respectively.

However, professional orientation is one of the services provided in the field of career guidance and counseling which includes employment counseling and active job search measures - training for active job search and a job search club, according to NES reports. When analyzing the data on the coverage of persons, it is noticeable that the largest number of persons received an employment counseling service in the period 2015-2019 (between 750,000 and 900,000 people per year). Employment counseling is performed on an individual interview of the job seeker with the employment counselor. This service, which is provided to all persons who apply as job seekers, in addition to informing people about the rights and obligations, conditions and opportunities for employment and counseling in the process of active job search, includes assessment of employability and determination of individual employment plan (IEP). The employability assessment enables the employment counselor to assess the employability of the person in relation to the situation on the local labor market (supply and demand), based on interviews with the person, data on education and work experience of the person, as well as the possession of additional knowledge and skills. In relation to the estimated level of employability of persons, the IEP determines the measures and activities that the NES and the person should take in order to increase the employability and employment of persons, as well as occupations for which the person will receive mediation according to submitted applications for employment (submitted by employers). Active job search measures, in which about 50,000 people participated annually, aimed to increase employability through the development of skills for active job search (sources of information on job vacancies, writing a resume, conducting interviews with an employer, etc.), through workshop group work.

In order to promote and further develop career guidance and counseling, MoESTD initiated the preparation of the Rulebook on the manner of work, activities and composition of the team for career guidance and counseling in 2017, which was adopted in January 2019 for secondary vocational schools in dual education. From 2018, teams for professional orientation are being formed at primary and secondary schools, which include professional associates and teachers in accordance with the Law on Primary Education and Upbringing, as well as the Law on Secondary Education and Upbringing. In addition, the Law on Dual Education provides for the formation of a Career Guidance and Counseling Team, which includes representatives of school employees, professional associations, local self-

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<sup>43</sup> As of 2018, 10 newly established CIPC from the Direct Grant at the NES, along with the three already existing CIPCs at the NES, continue to provide services, while 10 CIPCs established at the LSGs were closed after the termination of funding from the Direct Grant.

government units and employers. The relevant documents necessary for the further development of career guidance and counseling were adopted in 2019, namely the Rulebook on Standards of Career Guidance and Counseling Services, which was adopted by the MoESTD. Standards of career guidance and counseling services are part of public policies applied by state bodies, institutions and other organizations in the field of education, employment, social protection and youth policy. In accordance with Article 11 of the Law on NQFRS, the Council for the National Qualifications Framework of the Republic of Serbia adopted Recommendations for the implementation of the Plan for the application of standards of career guidance and counseling services in 2019. The Plan for the application of standards of career guidance and counseling services contains a proposal of measures and activities that will support the application of the standards. The measures and activities for which it is proposed to be implemented, the proposal of the implementer of activities, the time limit, the estimated financial resources, and the method of monitoring (indicator of the implementation of activities and the source of verification) are indicated. Providers of career guidance and counseling services to whom these measures and activities apply are mentioned as well. Monitoring of the implementation of the plan will be realized in regular time intervals. The Agency for Qualifications with the support of the BOS and Euroguidance Center is responsible for monitoring the implementation of the plan, and all the perpetrators of the activities listed in the plan have a role in monitoring and collecting data. The Agency for Qualifications submits the annual report on monitoring the implementation of the Plan to the Council for the National Qualifications Framework of the Republic of Serbia and the Ministry of Education, Science and Technological Development.

As part of support for career guidance and counseling activities in schools, Euroguidance and the Tempus Foundation's Europass Center have been organizing several different trainings for teachers, professional associates, pedagogical and andragogic assistants and other primary and secondary school staff, starting in the 2018/2019, to help students to facilitate transition from the education system to the labor market. In 2019, the activities of CGC were also focused on the organization of additional activities such as conferences, individual consultations, study visits as well as the publication of materials on CGS intended for career practitioners in support of their work. Special attention is paid to the implementation of seminars for employees in the social protection sector who work with adults who form an activation plan - job search and / or additional education (four trainings)<sup>44</sup>.

All of the above unequivocally points to the fact that significant attention was paid to the development of career guidance and counseling during the period of implementation of the Strategy, but also that the activities started should continue in the coming period. This primarily refers to the formation of teams for professional orientation, standardization of the quality of services they provide, as well as increasing the number of trained providers of these services so that more young people can get the necessary information and advice in the field of career building. In particular it is necessary to insist on ensuring the financial sustainability of the established system, which may be jeopardized after the termination of project funding, for which one of the examples is the cessation of established CIPC at LSGs from the IPA 2012 Direct Grant.

Special attention should be paid to the evaluation of the quality of CGC service in the next period, but also to the analysis of the impact of the quality of career guidance and counseling services on the effects of other ALMP measures, since the effects of all implemented ALMP measures largely depend on quality selection. We can notice that the conducted evaluation studies were mainly related to the consideration of the effects of CGC services on employment and their overall profitability. Social effects of services reflected in a higher level of social inclusion as well as the effects of services on further

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<sup>44</sup> Decision on determining the Annual Plan for Adult Education in the Republic of Serbia for 2020 (Official Gazette of RS No. 26/20)

learning, in terms of greater participation in education and training, better achievements, improved motivation, etc., have not been investigated. Thus, there were no answers to the questions whether the services of career guidance and counseling, organized by employment services, are more of an administrative character, or are they oriented towards long-term career goals in the direction of further learning and training.

The characteristics of the times in which we live dictate that career guidance and counseling should help people manage their careers throughout life, so it is of great importance for the further development of CGC to continue activities to improve methods and techniques of counseling with job seekers through NES, which are mostly in a situation where a change of employer, occupation and career is a prerequisite for their return to the labor market. Quality counseling work enables the employment counselor to refer the job seeker to appropriate vacancies, which speeds up employment, but also increases the effects of ALMP measures, which fulfill their purpose of encouraging the employment of hard-to-employ persons only if inclusion is based on quality assessments, individual capabilities and needs of the unemployed.

Having in mind the task that career guidance and counseling should fulfill in the coming period, to prepare young people for lifelong career management in the time of accelerated scientific and technological changes and the constantly changing labor market, and the elderly for appropriate career change to survive in the market, it is recommended that in the realization of this challenging and important task for society, the institutions of the system include the non-governmental sector, primarily those civil society organizations that have previously positioned themselves as CGC service providers, but also to ensure sustainability to those organizations which have previously shown good results in providing CGC services through donor/project support (e.g. the project "Knowledge to work - E2E" has implemented the Team for Social Inclusion and Poverty Reduction at the national level since 2015, and with the financial support of the Swiss Office for Development, and NIRAS-IP Consult at the local level, more at <https://znanjemdoposla.rs/?script=cir>).

#### 4.2.2. Increasing the competencies of unemployed persons by acquiring knowledge and skills through the establishment of a system of short trainings

Registered unemployed persons in the NES records largely include the hard-to-employ, which include, among others, persons without professional qualifications. In addition, employers' needs for specific knowledge, skills and competencies are often not aligned with the supply in the local as well as in the national labor market, which can be monitored based on the Employers' Survey which has been conducted by the NES once a year, since 2011. Based on this survey, current and future needs of employers for persons of certain occupations with acquired qualifications and necessary knowledge, skills and competencies are assessed.<sup>45</sup>

The strategy, like all annual NEAPs, envisages implementation of employment policies and programs aimed at further development of human capital, among other things, by increasing the competencies of unemployed persons by acquiring knowledge and skills based on short trainings. The NES has created a Catalog of training for the labor market for 2011, and has continued to create it in the following years as well, based on identified needs in the labor market (according to annual Employers

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<sup>45</sup> Performance Assessment of the National Employment Strategy 2011-2020 for the period of the first five years, from 2011 to 2015

Surveys, submitted applications for employment needs and other data sources of labor market), as well as the identified needs of the person during the preparation of the IEP<sup>46</sup>.

Based on the report on the implementation of the NEAP it can be concluded that the implementation of activities in the context of this priority was approached very carefully and ambitiously. This is evidenced, among other things, by the data on the realization of funds intended for additional education and training programs, and the number of persons involved in these programs<sup>47</sup>. Namely, as much as 3.2 billion dinars were spent on additional education and training programs in 2011. However, in the period from 2012 to 2019, the mentioned amount was never reached again, but there was a significant decrease in the allocated and realized funds from which these programs are financed, especially in the period from 2013 to 2016, and a renewed increase of the amount of realized funds for additional education and training programs in the last two years (table below). If we look at the trend of the number of persons involved in additional education and training programs, it is noticeable that the coverage of persons also increased during the last two years of the strategy implementation, to 10,221 persons in 2018 and 9,156 in 2019<sup>48</sup>. It should be noted here, however, that although the realized funds in 2019 (1.265 billion dinars) are higher than those in 2018 (1.063 billion dinars), the coverage of persons was lower by 1065 persons. This could be a consequence of the higher costs of individual measures covered by the additional education and training programs, and in particular short trainings (labor market trainings and trainings for a known employer) which are conditioned by the increase in the prices of education services.

*Table 39 - Funds for financing additional education and training programs (total) for the period 2011-2019 in million RSD*

Year	Plan	Realization	% realization/plan
2011	3,818	3,285	86
2012	2,390	2,347	98
2013	675	674	100
2014	111	35	32
2015	860	291	34
2016	949	650	68
2017	1,038	696	67
2018	1,798	1,063	59
2019	1,918	1,265	66

Source: NES, MoLEVSA

According to the Report on the implementation of the NEAP for 2019, the measures implemented through the NES have included additional education and training and a program of professional practice, a program of trainees for young people with higher education, a program of trainees for the unemployed with secondary education, a program of practical knowledge for unskilled persons, redundancies and long - term unemployed, labor market training, training for a known employer, specialist IT training, functional adult education program. In general, most of these measures were

<sup>46</sup> Based on the insight into the Catalog of trainings for the labor market, source: NES

<sup>47</sup> Additional education and training programs, according to NES and MoLEVSA documents, include labor market training and training for a known employer, functional education, as well as professional training and development (i.e. programs for trainees and volunteers, professional practice and acquisition of practical knowledge and skill).

<sup>48</sup> Source: MoLEVSA

implemented during the implementation period of the current Strategy. However, the trainee program should be mentioned as one of the measures that initially covered a very large number of people (in 2011 this measure covered 10,852 people, of which 5,862 women) while no person was covered by this measure in 2016-2018, and only 401 persons, of which 63 were women<sup>49</sup>, were covered in 2019. On the other hand, an additional measure was introduced in 2019 - Training for the needs of the employer for the employee - which included 25 people. Also, in order to respond to the increased demand for skilled labor in the IT sector, specialist IT trainings have been provided by NEAP since 2018.

Although the plan for 2019 envisages the inclusion of 1000 persons from the NES records, this measure covered 75 persons, according to the public procurement from 2018. As stated in the Report on the work of the NES for 2019<sup>50</sup>, the implementation of the planned specialist IT trainings in 2019 did not start due to the assessment of the effects of trainings started in 2018 on employment, whose implementation continues during the first half of 2019, as well as the decision The Cabinet of the Prime Minister of the Republic of Serbia to postpone specialist IT trainings for 2020. The public was presented with the fact that only 17% of those who underwent this training were then employed.<sup>51</sup> As for other measures that are implemented within the program of additional education and training in the NES in a standard way, the success of certain measures estimated on the basis of the ratio of the number of persons who had employment in the period of 180 days after leaving the measure ranged between 43% and 75% (depending on the measure and the year in which the specific measure was applied). In general, training at the request of the employer (the largest percentage of persons have employment in the period of 180 days after leaving the measure) can be considered as the most effective measure whose effectiveness during the observation period (2015-2019) was the only observed measure exceeding 70%.

On the other hand, within the program of additional education and training, more funds should be allocated and further work should be done to improve the measure of acquiring practical knowledge and skills, which from the point of view of effectiveness is closest to training at the request of a known employer. Namely, in the observed period, the percentage of persons included in this measure who had employment for 180 days after leaving the measure during the last three years (2017-2019) was over 70%. This measure is intended for persons without qualifications and those who have completed functional primary education. Therefore, combining it with appropriate training programs could be considered in order to eventually recognize the appropriate competencies. However, for this is necessary to have established programs based on competencies, as well as a procedure for assessment and recognition of acquired knowledge and competencies. In addition, when it comes to the unemployed with qualifications, in order to retrain them and / or develop additional skills required in the labor market, it is necessary to provide adequate funds, i.e. sources of funding. One of the possibilities is the establishment of a special Skills Fund as a special body whose mission would be to raise funds and create, i.e. implement special training programs according to the perceived needs of employers. In the United Kingdom, for example, there is the Education and Skills Fund Agency, as the executive body of the UK Government, at the Ministry of Education, which is responsible, among other things, for funding short trainings for acquiring knowledge, skills and competencies.

In the context of increasing the competencies of unemployed persons by acquiring knowledge and skills based on short trainings, it should be mentioned that the Ministry of Education, Science and

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<sup>49</sup> Data obtained from NES / MoLEVSA

<sup>50</sup> NES work report for 2019, available at

[http://www.nsz.gov.rs/live/digitalAssets/14/14387\\_izvestaj\\_o\\_radu\\_nsz\\_-\\_i\\_-\\_xii\\_2019.\\_godine.pdf](http://www.nsz.gov.rs/live/digitalAssets/14/14387_izvestaj_o_radu_nsz_-_i_-_xii_2019._godine.pdf)

<sup>51</sup> Only 17% to work: End of IT retraining, B92 news, Tuesday, January 8, 2019, available at [https://www.b92.net/biz/vesti/it-biz.php?yyyy=2019&mm=01&dd=08&nav\\_id=1490493](https://www.b92.net/biz/vesti/it-biz.php?yyyy=2019&mm=01&dd=08&nav_id=1490493)

Technological Development adopted the Rulebook on detailed conditions regarding programs, staff, space, equipment and teaching aids for acquiring a status of publicly recognized organizer of adult education activities in 2015. The Rulebook stipulates the standards that adult education providers should meet in order to acquire the status of AE-PRO, as a guarantee of the quality and efficiency of additional education and training programs. Fifty-seven institutions received the status of AE-PRO for a total of 203 training programs intended for adults (14 secondary vocational schools, 9 institutions for adult education such as workers', people's and open universities and 34 other organizations) by the end of 2019. Non-formal adult education training programs for acquiring professional competencies are conducted on the basis of labor market analysis in the Republic of Serbia, foreseen needs of employers and on the basis of priorities defined by the national strategy. Accreditation for training programs was given to institutions of the non-formal education system - companies, other organizations (95 programs), people's, workers' and open universities (65 programs) and secondary vocational schools (43 programs)<sup>52</sup>. This is important for the NES when announcing tenders and selecting providers of training services for training programs according to the Training Catalog, which is adopted annually.

However, given the training needs for different occupations assessed on the basis of the annual Employers Survey, it is noticeable that the number of accredited AE-PRO and programs is still insufficient, and this may be an obstacle in implementing measures under additional education and training programs. When there are no accredited training providers the NES is forced to hire those institutions that can conduct the training, but in that case the trainees can only receive an internal certificate and not a public document (certificate) / document (confirmation) of acquired qualification or competencies. It is important to point out that in accordance with the Law on Adult Education, MoESTD has adopted the Rulebook on the type, name and content of forms and manner of keeping records and the name, content and appearance of public documents and certificates in adult education which defines the type of public document, its name and content, appearance of the form and manner of keeping records in the field of non-formal education. Taking into account the significant budgetary financial resources allocated for the improvement of knowledge, skills and competencies of unemployed persons, it is of great importance that in the coming period as many unemployed people as possible acquire a certain (public) document after leaving the ALMP educational measure in order to facilitate transition to the world of labor, but also through the education system. With the award of internal certificates unemployed are potential candidates for the RPL procedure that is being established, but then the issue of double budget financing is justifiably raised, once through training, and next time through RPL, which further increases the cost of ALMPs per person. Therefore, it is necessary to ensure a continuous increase in the number of educational service providers, as well as accredited training programs, and for that it is necessary to motivate the institutions dealing with adult education in some way to be accredited as AE-PRO. This can be achieved by further simplifying procedures, but not to the detriment of quality, as well as promotional activities carried out by the competent ministry in order to better inform and highlight the specific benefits that these institutions would have if they decide to go through the accreditation process. Also, one of the mechanisms to encourage the acquisition of AE-PRO status is the creation of such criteria for the selection of training providers that ensure the selection of AE-PRO in that procedure if it is accredited for specific training at a specific location (compared to non- AE-PRO), instead of weighting the number of points.

To ensure the quality of training and the acquisition of market-relevant knowledge, skills and competencies, it is extremely important to conduct training in accordance with qualification standards developed by the Qualifications Agency (i.e. IIE before the establishment of the Qualifications Agency),

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<sup>52</sup> <http://www.mpn.gov.rs/obrazovanje-odraslih/>



instead of internal standards developed by the NES on the base of which it conducts public procurement procedure for training unemployed persons. In this way, it will be unequivocally clear (to both employers and the unemployed) whether the unemployed are being trained for a certain qualification or occupation or only for some professional competencies within the qualification.

Speaking about the quality of training, it is important to point out that significant experience was gained in the process of approving the status of AE-PRO in the previous period, as well as changes in the legislative and institutional framework for implementing the process of approving the status of AE-PRO, and that MoESTD, with the support of the "Knowledge to work" project, has started activities aimed at evaluating already established system of approving the status of AE-PRO in 2020. The results of the evaluations will be used as a starting point for (re)defining the existing standards / bylaws for accreditation when it comes to the program, staff, space, equipment and teaching aids for acquiring the status of AE-PRO, as well as for the adoption of new bylaws, standards for self-evaluation and external evaluation of the quality of work of AE-PRO. Taking the above into account, and in order to evaluate already established system of approving the status of AE-PRO, MoESTD concluded an agreement with the NES on evaluating the quality of professional training organized by the NES for the needs of unemployed persons in 2019. The research was conducted in the reporting period and the study is expected to be finalized during 2021. The results of the study will also be used as a starting point for (re)defining existing standards / bylaws for accreditation.

In general, we can notice that the evaluations of trainings were related to the assessment of program efficiency in the previous period, i.e. to the consideration of their performance when it comes to employment of program participants and the amount of financial resources, i.e. program profitability. It is interesting that, despite a large number of different evaluations, almost no research that examined the relationship between the quality of short-term vocational training and improving the position of participants in the labor market was conducted. Consequently, there were no answers to the question of what kind of training should be in order for the workforce to be more competent and employable. So, the recommendation is to include the quality of training in the next period as a subject of analysis.

#### 4.2.3. Development of the National Qualifications Framework and the National Standard Classification of Occupations

Serbia is halfway to reaching the goal of the Education Development Strategy to achieve a participation rate in adult education of 7% by 2020. Based on the latest data from 2018 and preliminary data from 2019, there is a lower value of this rate of 4.1% in both years, while it was 5.1% in 2016 and 4.4% in 2017.<sup>53</sup>

According to the results of the Adult Education Survey (AES), which was conducted for the second time in the Republic of Serbia in 2016 and which the EU conducts every five years, the rate of adult participation in some form of formal or non-formal education or training is 19.8%, which is slightly more than in 2011 (16.5%), but is significantly below the average of the EU member states (45.1%). Among the EU members, only Greece and Romania have a lower rate of participation in lifelong learning than the Republic of Serbia. However, compared to the surrounding countries that conducted

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<sup>53</sup> Performance of Western Balkan economies regarding the European Pillar of Social Rights: updated review of Serbia, RCC and ECSWPR, March 2020.

the research (Bosnia and Herzegovina, Albania, Northern Macedonia), adults in the Republic of Serbia participate in education and training to a greater extent.

The data show that women aged 25–34, with higher education, who are employed and who live in the city, most often participate in lifelong learning. Employees participate in education and training the most (32.5% of all employees). People who have attended some course, workshop or private lessons are generally highly educated. Most non-formal education programs in which adults participate are job-related (employment opportunities, job advancement, to keep an existing or get a new job, etc.). On average, adults who received non-formal education participated in 1.8 non-formal education activities. Most often, it was the instruction at work, held during working hours for which the costs were paid by the employer.

Approximately 80% of respondents did not participate in any form of formal or non-formal education. Almost half of the respondents (47%) wanted to participate in some form of education, but were prevented primarily due to education / training costs, family reasons, training schedule, i.e. overlapping with working hours and inadequate training offer.

Most respondents participate in some form of informal learning. About two thirds of them acquire new knowledge by using a computer (65.8%). 63.6% learn from a family member, friend or colleague, and about 60% from television / radio or video. Respondents also learn from printed materials (books, professional journals, etc.) to a significant extent (57.5%), and to a lesser extent by visiting museums, libraries, learning centers, etc.

During the adoption of the Strategy, Serbia did not have a National System of Classification of Occupations according to the International Standard Classification of Occupations ISCO-08. The classification that was in use greatly hindered the work of NES employees, because the list of occupations was incomplete and did not include all existing occupations on the labor market, and the names of individual occupations were outdated and inconsistent with technological changes. Numerous activities were implemented to develop an appropriate classification of occupations in line with the International Standard Classification of Occupations ISCO-08 within the Project "Support to the creation of employment policy based on data" - IPA 2011 (component 3 - Harmonization of the National System of Classification of Occupations with ISCO-08), during 2013 and 2014. A proposal for the National Standard Classification of Occupations (NSCO) with a structure, descriptions of all classification units was created. The proposal covered almost 2000 occupations, of which 1,877 were given with descriptions. Occupational descriptions were made on the basis of processing the material collected in the previously conducted field research, which was realized by trained NES advisors. Within the same Project, MoLEVSA cooperated with MoESTD which manages the development and implementation of NQF in cooperation with the National Council for Vocational and Adult Education and the National Council for Higher Education, and stakeholders (e.g. Institute for Improvement of Education, trade unions, Union of Employers, Chamber of Commerce of Serbia)<sup>54</sup>.

In addition to activities on the development of the NSCO in the reporting period, significant progress was made towards the establishment and implementation of the National Qualifications Framework of the Republic of Serbia (hereinafter: NQFS), which is one of the key instruments governing the field of qualifications and its connection with the labor market. NQFS is the foundation for the application of the concept of lifelong learning, i.e. it is part of solving the problem of incompatibility of the qualification system with the needs of the economy, social and personal development, the problem of

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<sup>54</sup> Reports on the implementation of the NEAP for 2013 and 2014, available at: <https://www.minrzs.gov.rs/sr/dokumenti/izvestaji/sektor-za-rad-i-zaposljavanje>

underdeveloped and unsustainable social partnership system, the problem of lack of quality standards and coordination in the process of qualification development, their realization in (formal and informal) education and certification, etc.

It is especially important to emphasize the adoption of the Law on the National Qualifications Framework of the Republic of Serbia<sup>55</sup> in 2018, which established a single and integrated national qualifications framework that includes all levels and types of qualifications, regardless of the method of acquisition (through: formal education; non-formal education; - life or work experience) and regardless of the age in which the qualifications are acquired.

After the legalization, in 2018, activities were realized on the establishment of the institutional framework of the NQFS system. The Council for NQFS was established as an advisory body that provides recommendations on the process of planning and development of human resources in accordance with public policies in the field of lifelong learning, employment, career guidance and counseling. Also, in order to perform professional and development work in ensuring the quality of the qualification system and providing professional support to the Council for NQFS and other competent institutions in all aspects of development and for the implementation of NQFS, the Agency for Qualifications was established. As in many countries the relevance of knowledge and skills in the labor market within one labor sector is ensured through a sectoral approach, the Law on NQFS created a legal basis for the establishment of sectoral councils as social partnership bodies responsible for improving skills in the sector and ensuring that education and training in the sector meet labor market skills needs. Accordingly, 12 sectoral councils with over 250 members, i.e. relevant social partners, were established during 2018. The sectoral councils include representatives from the education system (IIE, KONUS, CAASS, high school communities, etc.), representatives of the economy and labor markets (NES, employers at the suggestion of Chamber of Commerce of Serbia and Union of Employers), representatives of professional chambers, associations, unions, line ministries etc., which is the basic strength of these bodies to assess the compliance of qualifications with the needs of the labor market. The sector councils represent the institutional initiator for the development of the necessary and modernization of the existing qualifications. When it comes to the work of sector councils, the Methodology for the development of sector profiles, which was developed with the support of the IPA 2014 Project "Development of an integrated national qualifications system in Serbia", is of special importance. The goal of the Methodology is to develop a unique information and analytical framework that will enable efficient collection, processing and analysis of relevant data on the needs of the economy and labor market for skills (occupations and qualifications), which will result in a systematic description of the sector and its key characteristics (profiles). In the following period, the digitization of the Methodology is expected, which will enable the timely provision of a relevant sets of data for decision-making by sector councils based on data.

It is especially important to mention the referencing of the NQF with the European Qualifications Framework (EQF)<sup>56</sup>. Linking NQF to EQF allows employers to better assess the qualifications of workers coming from other countries and institutions unknown to them; employers can better assess whether the learning outcomes meet the needs of the company in which the worker wants to be employed. In this way, labor mobility is enabled and the supply and demand of labor in the labor market is improved. Also, the connection of NQF to the EQF ensures trust between the national qualification systems of

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<sup>55</sup> Law on the National Qualifications Framework of the Republic of Serbia (Official Gazette of RS, No. 27/18)

<sup>56</sup> The report on the referencing of the NQF with the EQF has been completed and is available at: <https://europa.eu/europass/en/reports-referencing-national-qualifications-frameworks-eqf>

different European countries, i.e. better information on the possibilities of continuing education and "movements" through the education system in different countries.

The European Qualifications Framework supports the evaluation of non-formal education and non-formal learning, i.e. it is possible to take into account the experiences that an individual acquires outside the formal education system. The establishment of the European Qualifications Framework in 2008 represents a political turning point for the implementation of the system of recognition and validation of non-formal and informal learning.

With the aim of establishing more flexible ways of achieving qualifications in the Republic of Serbia, legal solutions in the field of adult education in 2013 announced the regulation of the system of recognition of qualifications acquired in non-formal education, or through the process of informal learning. The Law on NQF defines the recognition of prior learning (hereinafter RPL) as an adult education activity that is realized by assessing the knowledge, skills, abilities and attitudes acquired through education, life or work experience and which enables further learning and increasing competitiveness in the labor market.

The beginning of the development of the concept of RPL in the Republic of Serbia was reflected in the formation of the Working Group for the development of the "Concept of recognition of prior learning", which included experts in the field and representatives of relevant institutions from education, labor and employment sector. As a result of this process, in 2015, the document "Concept of recognition of prior learning" was developed, which represents the framework and starting point for the introduction and development of the RPL system in the Republic of Serbia. This document defines the basic principles, assumptions, guidelines and standards for the future organization and implementation of the RPL. A new, expanded Working Group for the development of the concept of recognition of prior learning was formed in June 2019 to implement activities within the project: "Support to the establishment of the National Qualifications Framework in the Republic of Serbia" consisting of 18 representatives of various relevant institutions. In the reporting period, as part of the implementation of project activities in the previous period, with the support of IPA 2014 experts, a RPL Piloting Plan was prepared, qualifications and schools to be involved in piloting the RPL were selected, and Draft Quality Assurance Guidelines for RPL centers, guidelines for assessing the RPL process, the Draft Rulebook on Standards and the Manner of Implementing the Procedure for Recognition of Prior Learning were created, as well as the Guide for Schools for Acquiring the Status of AE-PRO. In the following period, the concept of RPL will be piloted in cooperation with the Ministry of Labor, Employment, Veteran and Social Affairs, i.e. the National Employment Service for the needs of the unemployed. Special attention will be paid to the training of schools and NES advisors for the implementation of the RPL procedure, of course in accordance with the competencies of the institutions.

Intensive cooperation between the competent ministries (MoLEVSA and MoESTD) and other relevant institutions (primarily the NES and educational institutions) is necessary in the area of recognition of prior learning. Approximately one third of all registered persons in the NES records are without qualifications, a large number of whom have many years of work experience and who as such represent the first candidates for inclusion and the procedure of recognition of prior learning. Namely, their chances of finding a decent job would be significantly better if their previously acquired knowledge and experience were appropriately recognized, i.e. if they acquired a public document / document that would provide them with better chances for employment in the labor market, but also mobility through education system. After the establishment of the RPL system, it will be necessary for the MoLEVSA to develop the RPL as a measure of ALMPs and to budget its implementation in the coming years. A special task will be reflected in the promotion of RPL as a measure of ALMPs to local

governments in order to be part of solving the problem of unemployment in the local labor market through LEAPs.

In the reporting period, the Government of the Republic of Serbia intensively carried out digitalization activities, i.e. design, harmonization, development, functioning of e-government systems within which various information systems and databases have been established or improved. In the education sector, work to create a Unified Education Information System (UEIS) managed by the MoESTD is underway. UEIS contains registers: institutions; children, students and adults; employees in institutions. For the purposes of keeping the register and protection of personal data, a unique educational number (UEN) is formed which accompanies its holder through all levels of formal education and is the key to linking all data on child, student and adult in UEIS, including the transition through the educational system and the transition from the educational system to the labor market.

The NQF register is an integral part of the UEIS and consists of 3 sub-registers, namely: the sub-register of national qualifications, the sub-register of qualification standards and the sub-register of AE-PRO with employers with which AE-PRO implements practical work. As a forerunner of the NOKS Register during 2017, a unique Database of qualifications that can be acquired in the Republic of Serbia was established, as well as the NQF website (<http://noks.mpn.gov.rs>). The establishment of UEIS, i.e. the NQF Register will ensure the transparency of the offer of qualifications and institutions as well as the availability of data on the content of the qualification and its purpose, acquisition, career opportunities, etc. For the needs of the NES, UEIS sub-register which will make data on approved programs and institutions with JPOA status transparent is of special importance, thus facilitating the process of selecting and contracting training services for the needs of the unemployed.

In order to plan and conduct public policies in the field of education and employment more efficiently, the Government of the Republic of Serbia has launched an initiative to compile a List of Qualifications of the Republic of Serbia. The Ministry of Education, Science and Technological Development, with the support of the IPA 2014 Project "Development of an Integrated National Qualifications System in Serbia", is in charge of implementing the initiative of the Government of the Republic of Serbia and drafting the List of Qualifications of the Republic of Serbia.

The list of qualifications will be used as one of the supporting instruments for monitoring the harmonization of labor market and education needs, and accordingly, its adoption, together with the establishment of the Unified Information System of Education and the NQF Register, is on the list of priorities of the Government of Serbia. The list of qualifications of RS will be used by the ministries in charge of education, labor, youth, etc., the Central Register of Compulsory Social Insurance, the Statistical Office of the Republic of Serbia, the National Employment Service, the Qualifications Agency and other competent bodies and organizations. In the reporting period, the preparation of the List of Qualifications for all levels of education has entered the finalization phase and its adoption was expected by the end of 2020.

At the same time, MoLEVSA, relying on the results achieved through previous projects, worked on the preparation of a harmonized classification of occupations (so-called Occupational Codebook) to enable the establishment of a link between the labor market and the education system, as well as ensuring links and comparability of data from different administrative sources. During 2016, an intersectoral working group was formed and started working on the preparation of a harmonized classification of occupations. As a result, on the proposal of the MoLEVSA, the Government of the Republic of Serbia adopted the Decision on the Unified Codex of Codes for entering and encrypting data in records in the field of work ("Official Gazette of RS", No. 56/18) on July 17, 2018. The integral part consists of new codebooks, as follows: 1) Occupational codebook prepared by the MoLEVSA, 2) Qualifications level

codebook prepared by MoESTD, as well as 3) State codebook harmonized with the International State Codebook and updated Municipal Codebook of the Republic of Serbia and 4) Codebook settlements in the Republic of Serbia prepared by the SORS. All listed codebooks have been in force since January 1, 2019<sup>57</sup>.

The new Occupational Codebook replaced the obsolete list of occupations from 1990, and enabled the application of a new list created at the initiative of the MoLEVSA in cooperation with MoESTD and other organizations and institutions gathered in the Working Group that worked intensively on the list of occupations in the Republic of Serbia based on the needs of the economy and the labor market. As stated in the Report on the implementation of the NEAP for 2018, the new list of occupations is harmonized with the International Standard Classification of Occupations (ISCO-08) and is of great importance for: monitoring and analyzing labor and labor markets, labor records, career management and counseling, mediation in employment and recruitment, planning and development of human resources, planning of education programs and their harmonization with the needs of the labor market, as well as census, statistical monitoring and conducting of surveys, exchange of statistical data and information on labor mobility with EUROSTAT, EURES and other relevant institutions at international level. In addition, in order to facilitate the implementation of the new Code and promote its use within the cooperation of the Ministry of Labor, Employment, Veteran and Social Affairs and the German Organization for International Cooperation (GIZ), a Manual for the implementation of the Uniform Code for entering and encrypting data records in the field of labor, information sessions were organized in several cities in Serbia and a website was launched on the MoLEVSA website, ([www.kodekssifara.minrzs.gov.rs/](http://www.kodekssifara.minrzs.gov.rs/)). During 2019, the application of the Codebook was intensively monitored, and an analysis of the institutional framework for the establishment of the National Standard Classification of Occupations in the Republic of Serbia was prepared. In the meantime, in July 2020, amendments to the Decision on the Unified Codex of Codes for entering and encrypting data in records in the field of labor were adopted ("Official Gazette of RS", No. 101/20). The amendments primarily referred to the Occupational Codebook, since during the monitoring of the implementation, conditions were created for the introduction of new occupations based on labor market analysis, employers' proposals and explanations of the National Employment Service that monitors supply and demand in the labor market.

Also, at the suggestion of the Ministry of Education, Science and Technological Development, the Code of Qualifications Levels was replaced by the Codebook of Levels and Types of Qualifications so that the codes contain both level and type of qualification codes, which is in accordance with the structure of the qualification code to be applied in the Unified Information education system, i.e. the Register of the National Qualifications Framework of the Republic of Serbia. Also, a level code has been added for persons without acquired primary education and upbringing.

An important precondition for further connection and monitoring of occupations on the labor market and qualifications is the development of a list of qualifications which is within the competence of the MoESTD.

An overview of activities during the implementation of the Strategy, in the direction of recognizing knowledge and skills acquired through non-formal learning, promotion of the concept of lifelong learning, and development of NQF, NSCO and the new Occupational Code, it can be said that some progress has been made, and that it primarily reflects in established cooperation between relevant ministries, stakeholders and partners. However, the process of drafting the mentioned and other accompanying documents was slow, the same or similar activities were started and completed in the

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<sup>57</sup> [http://www.nsz.gov.rs/live/info/vesti/\\_ta\\_donose\\_novi\\_ifarnici\\_zanimanja\\_i\\_nivoa\\_kvalifikacija.cid53866](http://www.nsz.gov.rs/live/info/vesti/_ta_donose_novi_ifarnici_zanimanja_i_nivoa_kvalifikacija.cid53866)

context of the implementation of current projects, but their results later remained insufficiently used until 2016, when, as already mentioned, cross-sectoral working group for the preparation of a harmonized classification of occupations and intensified other activities on the establishment of the NSCO.

In the last year of implementation of the Strategy, MoLEVSA has formed a Working Group for the development of the NSCO, and work on the development of a Methodology for the development of occupational standards is underway, the adoption of which is expected by the end of 2020. After the adoption of the Methodology for the development of occupational standards and their development in the coming period, conditions will be created for the essential connection of occupations and qualifications, for the development of qualification standards based on occupational standards, i.e. harmonization of educational offer with labor market needs.

#### 4.2.4. Entrepreneurship support

Promotion of entrepreneurship and development of entrepreneurial culture are defined as one of the priorities of the Strategy in the part of improving human capital. However, reporting on activities aimed at the realization of this priority during the period of implementation of the Strategy went beyond the framework of reporting on human capital improvement activities. This fact influenced the possibility of monitoring and evaluating the achieved results. This is especially true when it comes to the analysis of achievements in the field of development and promotion of social entrepreneurship and cooperatives, which was seen as one of the significant activities in support of entrepreneurship at least in the first year of implementation.

Encouraging entrepreneurship and strengthening the SME sector stands out as a very relevant priority defined by the Strategy, not only because it provides additional impetus to economic development, but also because it opens the possibility of creating more jobs through self-employment, and engaging the necessary workers to the extent that entrepreneurial firms grow and develop their activities. In the part of employment policy, the promotion of entrepreneurship was approached by creating an appropriate measure (subsidy for self-employment), as well as specific trainings for entrepreneurs that all persons interested in starting their own business with funds determined by the NES had to go through. The Entrepreneurship Development Program includes advisory services, entrepreneurship development training, mentoring and specialist one-day seminars, as well as a subsidy for self-employment. The subsidy measure to support self-employment is one of the traditional financial measures of ALMPs which in the earlier stages of transition aimed to provide a 'new beginning' to those who lost their jobs during the transition, or to give young people a chance to become self-employed in limited employment for salary opportunities.

The Entrepreneurship Development Program was implemented during the implementation of the Strategy through the educational program "Path to a Successful Entrepreneur", which was attended by between 11,000 and 12,500 people a year. Participants in this program were also candidates for subsidies for self-employment. In the period from 2015 to 2019, the number of approved subsidies for self-employment was relatively uniform from year to year, although there was an increase in the number of included from 3,829 persons in 2015 to 4,190 persons (an increase of 8.6%). In the observed period the gross effects of this measure were very good, bearing in mind that the percentage of employees ranged from 86% in 2015 to as much as 96% in 2018. However, in the last observed year, there was a significant decline in the effectiveness of this measure to 69.5% of employees who were

beneficiaries of subsidies for self-employment. Such a decline may be a consequence of wrong targeting (if, for example, there are more targeted groups that needed to provide additional support through education, mentoring, etc.). Also, the decline could be a result of insufficient funds approved for starting their own business, and limited access to additional sources of financing (for example, loans from commercial banks), which can be a significant obstacle, especially when it comes to young entrepreneurs. In addition, the problems resulted from insufficiently well-conceived training for entrepreneurship, insufficient quality of business plans as well as the process of their evaluation, and the lack of importing various services provided by the NES in order to encourage self-employment. Due to the above, vulnerable employment is observed in the context of entrepreneurship development, which should be taken into account when designing and implementing measures to promote entrepreneurship.

However, it should be emphasized that, although the funds that people receive as a subsidy for self-employment have increased over the years, the small amount of funds approved for subsidies for self-employment is something that young people point out as a demotivating factor for them to start their own business<sup>58</sup>. This aspect of the problem is also discussed in the EBRD Report (Country diagnostic - Serbia 2018)<sup>59</sup>, which states that, due to the lack of opportunities to acquire practical knowledge and skills through VET education programs, young people opt for self-employment. However, they face problems with limited access to the resources necessary to start their own business, as well as limited opportunities to acquire the necessary knowledge to run that business. Therefore, when introducing programs aimed at encouraging entrepreneurship for young people, special care should be taken to avoid the risk of vulnerable employment, where a young person will potentially lose his job after a short time and with debts arising from a failed business. This again directs attention to the creation of a program that will focus on providing the necessary funds, guarantees and insurance, as well as providing mentoring assistance, but also economic and psycho-social support to young entrepreneurs.

In addition to the Road to Successful Entrepreneur program, workshops were organized by UGS Nezavisnost and trainings were organized within the project supported by USAID, as well as a mentoring program and youth cooperative development programs in cooperation between MoYS, foreign donors and partner organizations. Since 2014, support for entrepreneurship development has additionally focused on providing support to vulnerable groups, and programs aimed at entrepreneurship development specifically target Roma (2014) and initiate and implement activities to promote women's entrepreneurship and youth entrepreneurship (2014-2019). Special Business Centers for Entrepreneurship Development have been established within some branches of the NES, about which there is still information on the official website of the NES<sup>60</sup>, but there is no detailed data on their activity during the period of implementation of the Strategy.

As mentioned at the beginning, in the first years of the implementation of the Strategy, in the annual reports of the MoLEVSA in the context of support for entrepreneurship, activities aimed at the development of social entrepreneurship and cooperatives are listed. For example, the 2012 Report mentions educational programs for the development of entrepreneurship, including social entrepreneurship and cooperatives, as one of the measures / activities, while the 2013 Report contains information that a draft Law on Social Entrepreneurship has been created, and that this proposal has been sent to the parliamentary procedure. Then, the report for 2014 states that the Chamber of Commerce of Serbia, within the project EASE & SEE "Development of Social Entrepreneurship in

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<sup>58</sup> Aleksić, D. i dr, Studija o položaju mladih u Srbiji, ETF/FREN, Beograd 2020.

<sup>59</sup> <https://www.ebrd.com/publications/country-diagnostics>

<sup>60</sup> The information on services in individual branches provides contact information of the established Business Centers



Southeast Europe", in cooperation with Italian partners, organized a workshop on "Developing business ideas through business plans". However, the development of social entrepreneurship stopped being reported during the second half of the implementation of the Strategy, and the Law on Social Entrepreneurship has not yet been adopted. From the above, it can be concluded that over time, this priority has lost its importance, and we cannot talk about the results achieved.

Considering the mentioned importance of entrepreneurship for economic development and employment, support for entrepreneurship should remain one of the priorities, with special emphasis on the development of supported entrepreneurship for young people. The goal is for them to be additionally empowered to establish their own companies, which will at least in the beginning of their existence mostly hire young staff. Support needed by young people in addition to existing entrepreneurship training programs, business mentoring and self-employment subsidies, should include providing a higher amount of self-employment subsidies than the existing one, continuous mentoring especially in the field of marketing, tax and financial system, but also providing easier access sources of funding, and even psychological support in order to empower young people and reduce initial resistance to risk. In addition, further activities aimed at the development of social entrepreneurship are needed, in order to increase employment opportunities for the most vulnerable groups in the labor market, especially PWDs. Finally, in the context of further support to entrepreneurship, it is advisable to think about finding adequate solutions in order to prevent possible vulnerable employment of entrepreneurs. For example, one solution could be positive discrimination in re-inclusion in measures, primarily employment subsidies. Alternatively, by allocating part of the income generated on the basis of self-employment, it could be directed to a special fund from which funds would be paid to entrepreneurs who lost their jobs, with the obligation to spend those funds to equip a new job with the employer or to start their own business.

#### 4.3. Institutional capacity development and expansion of active labor market policy programs

##### 4.3.1. Development of institutional capacities for the implementation of active labor market policy

The strategy envisages further development of institutional capacities and expansion of active employment policy programs through further development of institutional capacities of the Employment Sector within the Ministry of Economy and Regional Development (later MoERD), as well as NES, employment agencies, local employment councils and establishing a system of integrated services through capacity building and improving cooperation between various actors and social partners. However, in August 2017, a new Rulebook on internal organization and systematization of jobs in the Ministry of Labor, Employment, Veteran and Social Affairs came into force by which Labor and the Employment Sector merged into one sector, and the number of employees in the two organizational units dealing with active employment policy and normative affairs in this area has been reduced to a total of 11 civil servants.

When it comes to funds for the implementation of active employment policy measures up to 2016, they were determined in the RS Law on Budget, in the section of the Ministry of Labor, Employment, Veteran and Social Affairs. In order for the transfer of these funds to be carried out by the NES, the MoLEVSA prepared a Program for the allocation and use of funds, which was also adopted by the RS

Government and contained a legal basis, purpose of funds - by measures and amounts, monthly transfers and reporting deadlines. The measures listed in this Program were previously defined (including the coverage of persons) in the NEAP.

Any deviations from the expenditure of the determined funds under the measures were not possible without prior explanation and adoption of changes or amendments to that program, which was the competence of the Government. The procedure regulated the process as follows - the NES submitted a reasoned request for amendments, the MoLEVSA assessed the stated reasons and prepared an act on amendments to the Program, which was re-adopted by the Government. At the annual level, a report on the implementation of the Program for the allocation and use of funds has been prepared for the Government.

Since 2017, AEP measures and coverage of persons by measures are still determined in the NEAP, but the funds for the implementation of AEP measures are determined in the NES Financial Plan. The NES Steering Board issues an act on the allocation of these funds in order to fulfill the plan regarding the planned number of persons in AEP measures, but the NES Board may decide during the year to redistribute these funds from one measure to another, if for various reasons sufficient interest of employers or unemployed does not exist for a certain measure. These changes are not subject to consideration by the MoLEVSA, i.e. the written consent of the MoLEVSA is not required. For example, the program of trainees for young people with higher education and unemployed people with secondary education was only partially implemented in 2019, and the plan for involving people in public works was significantly exceeded, without a special explanation of the reasons for deviation, nor in the Agreement Implementation Report on the performance of the NES, nor in the Report on the work of the NES or the Report on the implementation of the NEAP.

Reports on the implementation of the NEAP in the period 2011-2019 were used as the main source of information in order to see the results of the implementation of the Strategy when it comes to the development of institutional capacities. The systematic nature of this analysis is limited by the fact that reporting in different years differs both in certain parts of the report itself and in the scope of information presented. However, based on the set goals and presented results, it can be concluded that throughout the implementation of the strategy, numerous activities were organized, often in connection with a number of donor projects aimed at strengthening the capacity of the Employment Sector and the NES. Also, it can be noticed that the Employment Sector in cooperation with the NES and numerous partners has significantly contributed to increasing the capacity of local employment councils (LEC in planning activities for the development of LEAP including planning policies and employment measures according to local labor market needs). For example, in 2013 a number of trainings were organized for representatives of the Ministry (including study abroad for employees in the Employment Sector) and the NES, as well as trainings for members of the LECs within the Twinning project "Preparation of labor market institutions of the Republic of Serbia for the European Employment Strategy "(IPA 2011)). With the support of the Twinning project, a Manual for the development of a local employment action plan was developed in 2014 and a regional employment council was established for the municipalities of Vršac, Pladište and Bela Crkva.

Starting from 2014, the development of institutional capacities is reported in more detail, with special mention of activities related to the improvement of the legal framework (item 1.1 in the annual reports for the period 2014-2019), although the Report for 2013 states that the Draft Law on Employment of Foreigners has been drafted, as well as the Draft Law on Social Entrepreneurship and Employment in Social Enterprises. The Report for 2014 states that the Law on Amendments to the Labor Law ("Official Gazette of the RS", No. 24/05, 61/05, 54/09, 32/13 and 75/14) was adopted as well as the Law on Employment of Foreigners ("Official Gazette of RS", No. 128/14), and the Rulebook on Work Permits

("Official Gazette of RS", No. 136/14). Numerous amendments to existing and proposed new laws were adopted in the following years, as well as bylaws, including the Law on Amendments to the Law on Employment and Unemployment Insurance ("Official Gazette of RS", No. 38/15), the Law on Conditions for sending employees to temporary work abroad and their protection ("Official Gazette of RS", No. 91/15), Law on Amendments to the Law on Contributions for Compulsory Social Insurance ("Official Gazette of RS", No. 112/15), Law on Amendments to the Law on Employment and Unemployment Insurance ("Official Gazette of RS", No. 113/17), the Law on Amendments to the Law on Employment of Foreigners ("Official Gazette of RS", No. 113/17), the Law on Amendments and amendments to the Labor Law ("Official Gazette of RS", No. 113/17), the Law on Simplified Employment in Seasonal Jobs in Certain Activities ("Official Gazette of RS", No. 50/2018) and the accompanying Rulebook on the Content of the Certificate of Employment seasonal worker ("Official Gazette of RS", No. 67/2018), Law on Amendments to the Law on Peaceful Settlement of Labor Disputes ("Official Gazette of RS", No. 50/2018), Law on Amendments to the Law on Employment of Foreigners ("Official Gazette of RS", No. 31/19), Law on Agency Employment ("Official Gazette of RS", No. 86/19), Rulebook on Amendments to the Rulebook on the Procedure for Peaceful Settlement of Work Disputes ("Official Gazette of RS", No. 1/19), Rulebook on Amendments to the Rulebook on Detailed Content of Data and Manner of Keeping Records in the Field of Employment ("Official Gazette of RS", No. 7/19 and 51/19), harmonization of terminology with the Law on NQF and introduction of a single electronic database on data from the records kept by employment agencies. The Law on Social Entrepreneurship and Employment in Social Enterprises was not passed by the end of 2019, although the first proposal was made in 2013, when it entered the parliamentary procedure, and then a public debate was held again in 2018, and the received proposals were incorporated into the new draft of the Law on Social Entrepreneurship and Labor Integration in Social Companies. Based on the above, it can be concluded that the institutional capacities in the part concerning regulatory solutions have been improved as the needs for establishing legal solutions for the implementation of certain measures and policies have arisen, and that the new solutions have been harmonized with international standards of ILO and EU (as in the case of the Law on Agency Employment).<sup>61</sup>

Also, since 2014, it has been reported on the development of a network of job search clubs (so-called Job clubs, within the Technical Assistance Program from the IPA 2012 direct grant), improvement of the methodology for forecasting labor market trends and planning procedures at national and local level, improvement of methods of evaluation of ALMP measures, improvement and further development of integrated service models, formation of mobile employment units, so-called caravan for employment, strengthening the capacity of companies for vocational rehabilitation and employment of persons with disabilities, promoting the importance and encouraging the development of social entrepreneurship and cooperatives by strengthening institutional support, improving the capacity of NES and employment agencies and developing various forms of cooperation between agencies and NES, development of capacities for managing EU-funded programs, as well as capacity building for alignment with the *acquis communautaire*. Most of the listed activities are reported throughout the period 2014-2019, although some additional activities can be found in the reports for individual years, which were mainly implemented as activities within donor projects which current at the time. For example, the development of new services, i.e. the launch of the so-called employment

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<sup>61</sup> The Report on the Implementation of the NEAP for 2018 states that the introduction of the legal framework for work through the temporary employment agency harmonized the labor legislation of the Republic of Serbia with the international standards of the ILO and the EU, i.e. with the ILO Convention No. 181 on Private Employment Agencies, Reference 188 and Directive 2008/104 on work through temporary employment agencies and other directives containing provisions relating to agency workers (seconded employees), see: <https://www.minrzs.gov.rs/sr/dokumenti/izvestaji/sector-for-work-and-employment>

caravan appears as an activity in the Report for 2015, and the improvement of the quality and efficiency of career guidance and counseling services at the NES is reported in the context of institutional capacity development in 2016, related to the establishment of CGC at the NES and LSGUs. These activities were funded by the Direct Grant IPA 2012 and were an integral part of the list of activities in the field of institutional capacity building while the activities on the project lasted. The range of NES services has been expanded in accordance with the requirements and possibilities of specific projects, new solutions have been piloted, and the most successful ones have continued to be implemented even after the completion of projects. However, some new solutions and services, although very significant and effective, did not take place after the completion of the projects within which they were developed and / or financed (for example, the Youth Fund and CGC at the LSGUs).

In addition, the implementation of the Employment and Social Policy Reform Program initiated by the European Commission in order to gradually introduce the countries of the Western Balkans in the European coordination of social policy (IPA 2015, UN agencies, SDC) and the implementation of the Economic Reform Program for 2016-2018 are on the list of activities in 2017. This indicates that the implementation of activities towards achieving the objectives of the Strategy was approached in two concentric circles, where the core was a set of standard activities financed from the budget that were improved over time, and the outer circle was mainly a set of externally funded or externally initiated activities and which showed great variability following the external project cycle.

The results in terms of improving the capacity of the NES were achieved largely thanks to donor funds. During the implementation of the Strategy, a large number of different trainings were organized. For example, in 2015, NES employees received trainings "Individual work with jobseekers and employment mediation", "Combating discrimination in Roma employment", "Presentation of the EURES portal for NES employees in the Republic of Serbia", "Provision of migration information services", and trainings for newly opened job search clubs and CGC (IPA 2012), and the Program of professional development and training of employees in the National Employment Service for 2016 was adopted, in accordance with which the organization of trainings will continue, with the aim of introduction of the obligation of continuous professional development of NES employees, especially in the part related to professional counseling work with unemployed persons. Depending on active donor projects, work was done on developing the NES capacity to improve evaluation methods, conducting surveys and forecasts (e.g. Employers' Survey, Customer Satisfaction Survey), improvement of international project management, etc. Experts of The World Banks prepared the "NES Efficiency Analysis" in 2016 and made recommendations for increasing the efficiency and effectiveness of NES branches.

Based on the Law on Determining the Number of Employees in the Public Sector ("Official Gazette of the RS", No. 68/15), and the Decision of the Government of the RS which determined the maximum number of employees in the NES of 1,653, a new Rulebook on organization and systematization in the NES was adopted in 2015. The NES has implemented a program to address redundancies, and about 80 employees have lost their jobs. The number of employees in counseling positions was also reduced on the basis of retirement, which was accompanied by the establishment of a ban on employment in the public sector. Therefore, in 2016, despite the mentioned limitation, an increase in the number of employment counselors was ensured by hiring 18 new counselors recruited among the staff who performed administrative and recorder jobs and acquired, in the meantime, the qualifications needed to perform employment counselor jobs. In the following years, the NES also tried to ensure an increase in the number of employment counselors in order to reduce their workload and increase the quality of services.

Thus, another 165 temporary employees were hired in 2017, which in that year reduced the difference (standard deviation) in the average number of persons per employment counselor. The

implementation of trainings for employees continued in 2018 and 2019, and the certification of employees was introduced in order to improve counseling services, counseling for PWDs, and mediation, especially in the area of cooperation with employers. Despite the voluntary termination of employment, as well as retirement, 613 counselors were employed as employment counselors and employment counselors for PWDs (of which 72 were part-time) at the end of 2019. The average workload of counselors was 827 unemployed, which further reduced the difference in the workload of employees compared to the previous year (i.e. the standard deviation was reduced from 275 to 263). However, in addition to the positive trend of reducing the workload of counselors, which is undoubtedly a condition for improving the quality of service, it is necessary to continue with intensive training for employees, but it is also necessary to design adequate staff motivation programs, especially for temporary counselors. Advisor motivation programs should be based primarily on providing quality working conditions (working space, working hours, the right to days off, the right to training and coaching, the possibility of promotion, automatic obtaining of contracts for an indefinite period in case of above average objectively measured performance of advisors), but also eventual bonuses and rewards. In general, public administration and public services should serve as an example of full compliance with the Labor Law, which clearly defines restrictions on the extension of fixed-term contracts. In particular, in the long run, hiring part-time employment counselors carries the risk of extremely high staff turnover, excessive training costs for new employees, as well as potential "idle runs" due to the time needed to recruit, hire and train new employees under fixed-term contracts.

A number of activities on improving the cooperation of the NES and employment agencies was also noted, especially in the part of reporting by these agencies on persons sent to work abroad. Namely, the NES defined a project proposal for financing from the TAIEX program, among other things, for organizing a workshop on the topic of capacity building and establishing cooperation between the NES and employment agencies in 2015. This workshop was held in 2016, and raised significant issues related to cooperation in the field of information exchange and measuring the effects of joint activities, internet mediation, sending people to work abroad, access to the EURES network and EURES portal, as well as joint activities in the field of professional orientation. In the following years, cooperation with agencies was mainly reduced to advertising job offers on the NES website and inviting agencies to participate in employment fairs organized by the NES. No trainings were organized for employment agencies because there were no such requirements, nor were new workshops related to the EURES network regulations organized. On the other hand, a round table "The role of employment agencies in providing quality data" was held in 2019, as well as the workshop "Keeping a single record in the field of employment" organized by the MoLEVSA.

When it comes to the goal related to the further development of the model of integrated services, certain activities have been started, primarily in the function of connecting the NES and the Centers for Social Work (CSW). Over 100 protocols on cooperation have been signed between the NES (over 20 branches) and the CSW since 2014. In accordance with the signed protocols on cooperation, hundreds of meetings were held annually with the representatives of CSW, at which the coordination of activities was discussed, as well as the planning and implementation of joint activities. In addition to the signed protocols on cooperation, the system of integrated services has come to life in the part of referring joint users of the two institutions, where these users have priority in conducting interviews with the advisor, determining the IEP and their implementation. The NES keeps records and regularly reports on these persons. The connection between the NES and the centers for social work was regulated in 2014 on the basis of the adopted Decree on measures of social inclusion of users of financial social assistance. Attention should be paid to these activities in the coming period, so that users of social protection services from the status of inactive to active job seekers and included in measures that would contribute to increasing their employability and employment. Counseling

services through individual conversations with both DC employees and employment counselors are crucial for something like that.

### *Migration centers*

The strategy defines labor migration as one of the significant challenges in the labor market (point 1.1.2), including all types of migration - external and internal, forced and voluntary, legal and illegal, migration of highly skilled and unskilled labor, emigration and immigration. The Report on the implementation of the NEAP for 2012 states that 3 new migration service centers (MSCs) have started operating in the branches of Kraljevo, Kruševac and Bor, which increased the total number of active MSCs in the NES to 7, as in the previous period they were already MSCs formed in the branches of Belgrade, Niš, Novi Pazar and Novi Sad. The newly established MSCs originated from the cooperation of the MoLEVSA and the NES with the International Organization for Migration (IOM) in the implementation of the project "Migration for Development in the Western Balkans". In addition, training of advisors engaged in these migration service centers was held in 2012, while representatives of all branches of the NES (70 people) attended training conducted by IOM and KIRS "Fundamentals of Migration Management in RS" within the project "Strengthening the capacity of RS institutions for migration management and reintegration of returnees under the Readmission Agreement ". Reports from subsequent years do not include information on MSC activities or further activities related to labor migration.

On the other hand, the data provided by the NES confirm that the mentioned 7 MSCs continued to function as a separate organizational part of the NES in which NES employees were engaged to provide migrants and potential migrants with information on the risks of irregular migration, migrants' rights, visa procedures, work and residence permits, employment and study abroad opportunities, access to health care and education abroad, and more. In addition, one of the roles of the MSC is to direct immigrants, readmission returnees and asylum seekers in the integration process in the Republic of Serbia to relevant local institutions in order to exercise their rights. Since the network of 7 MSCs was established in 2012, the number of users of these centers can be traced back to 2013, when 886 people received the service. During the implementation of the Strategy, the largest number of users of MSC services was recorded in 2014 (1,215 persons), while the smallest number was recorded a year later (696 persons). In the following years, the number of users exceeded 1,000 people again (2016-2017), then it dropped to 908 in 2018, and then to 775 people in 2019.

In the coming period, it will be necessary to intensify activities in the field of labor migration management and mediation abroad, and harmonization of procedures according to the standards of the EURES network. In relation to these issues, cooperation with employment agencies was initiated during the implementation of the Strategy, but it is not sufficiently developed. In the meantime, the Strategy on Economic Migration of RS for the period 2021-2027 was adopted in 2020 and its Action Plan, which is being prepared, will redefine and make the role of migration centers more flexible.

### 4.3.2. Expansion of active labor market policy programs

The expansion of the active labor market policy program was envisaged by the Strategy as a logical consequence of several related positive processes planned during the implementation of the Strategy, the two most important of which were a radical increase in ALMP costs and increasing the capacity of institutions to create and implement ALMPs.

Given that none of these goals have been achieved, it should come as no surprise that there has been no real expansion of active labor market policy programs (officially: active employment policies), which include the following groups of programs according to the Law on Employment and Unemployment Insurance: employment mediation, vocational guidance and career planning counseling, additional education and training, employment subsidies, public works and other measures aimed at employment or maintaining employment.

The graph below shows the portfolio of all regular ALMP programs implemented during the implementation of the Strategy.

Among non-financial programs, the core that did not change during the entire duration of the Strategy consisted of 10 programs, while 5 programs were subsequently introduced or terminated during the observed period. In the case of training programs, the dynamics was much higher - only 4 training programs were implemented continuously during the duration of the Strategy, while 6 programs were subsequently introduced or discontinued during the observed period. In the group of subsidies, public works and other measures, 10 programs formed a fixed core, while only 1 new program (subsidy to employers for employment of CSA users) was practically experimental and abandoned due to lack of interest of employers after two years of implementation. The most changes were among the programs of additional education and training, which also showed the highest volatility in terms of allocated funds and coverage of beneficiaries. Measures are adjusted in terms of conditions, duration, target groups, methods of implementation, contractual obligations, amount of funds, etc. based on monitoring of effects and periodic evaluations.

*Graph 1. Portfolio of active programs (service and measures) of the labor market*

	2011	'12	'13	'14	'15	'16	'17	'18	'19
Employment counseling (Employability assessment and development of IEP)									
Informing about career development opportunities									
Counseling on career development opportunities									
Selection for the employer									
Selection for additional education and training									
Job search club									
Active Job Search Training - ATP1									
Self-efficacy training									

Motivational - activation training for Roma									
Motivational-activation training for unqualified and low-skilled people									
Workshop for overcoming stress due to job loss									
Other trainings organized by Mediation									
Employment Fair									
FPEA									
Labor market training									
Training at the request of the employer									
Training at the request of the employer for employees									
First Chance Trainee Program									
Professional practice									
Professional practice - practical knowledge and skills									
- Trainee programs:									
- Internship program for young people with higher education									
- Trainee program for the unemployed with secondary education									
Acquisition of practical knowledge									
Information and counseling for entrepreneurship development									
Entrepreneurship development training									
Subsidy for self-employment									
Payment of a one-time cash benefit									



Subsidy for job creation / employment of persons from the category of hard-to-employ									
Subsidy of part of the salary of the beneficiary of financial social assistance									
Public works									
Incentive for employment of cash benefit users									
Wage subsidy for PWD without work experience									

Source: NES

The trend of the number of participants in active measures by vulnerable groups and by type of measures (employment services versus financial measures) can be followed from the Table below.

Table 40 - Unemployed persons involved in ALMP measures during the implementation of the Strategy

		2011	2012	2013	2014	2015	2016	2017	2018	2019
Broj nezaposlenih na evidenciji	Ukupno	745187	761485	769545	741905	724094	700947	618826	552513	506865
	Žene	388443	392466	393500	379066	371972	360877	324977	294978	277678
	Mladi (15-30)	205206	207829	209201	196259	183600	171245	138391	117078	104149
	Stariji (50-64)	183979	190101	194817	193052	198441	201414	192496	181637	173315
	Dugoročno nezaposleni (godinu i više)	466617	491153	512016	507074	484566	470474	428195	372259	332834
	Osobe sa invaliditetom	14148	15031	14509	14275	15931	15784	15434	14577	13385
	Romi	19398	20452	22102	21791	22930	26065	26456	25605	25918
	Interno raseljena i izbegla lica	7965	7797	7575	6867	6575	6643	5949	5252	4719
	Korisnici NSP (ranije MOP)	27084	37104	45600	54031	63991	64848	67821	63307	57083
	Lica bez kvalifikacija I sa niskim nivoom kvalifikacija	244751	244979	245405	233428	227318	222585	204707	184618	170637
	Viškovi zaposlenih	39808	34493	28980	22757	57465	53882	47006	40940	37415
Broj nezaposlenih uključених u finansijske MAPZ	Ukupno	48564	24014	17928	9133	26300	22729	23079	26595	23552
	Žene	24832	11619	9108	4494	12963	11593	11718	14099	13065
	Mladi (15-30)	28484	11220	7778	3123	11415	9896	9511	9790	8754
	Stariji (50-64)	5715	3287	2844	1563	4768	4450	5623	5949	5453
	Dugoročno nezaposleni (godinu i više)	18626	9883	8724	4757	13955	12231	13272	14594	10656
	Osobe sa invaliditetom	2325	2492	2923	2710	2851	3373	3426	3758	3338
	Romi	1023	1439	1167	966	1438	1320	1783	1962	1935
	Interno raseljena i izbegla lica	429	229	186	80	226	174	166	242	209
	Korisnici NSP (ranije MOP)	1035	1469	1352	1206	2254	1914	2150	2123	1666
	Lica bez kvalifikacija I sa niskim nivoom kvalifikacija	7709	6857	5371	3374	6727	5542	7195	7513	6209
	Viškovi zaposlenih	3153	1487	1278	743	1687	1657	1942	2034	1991
Broj nezaposlenih uključених u sve MAPZ	Ukupno	139972	132674	99946	108664	150953	146664	145347	152936	142540
	Teže zapošljiva lica			91038	103000	144878	141361	139950	147321	137443
Broj slučajeva zapošljavanja sa evidencije	Ukupno	183452	205297	214470	232280	246796	265111	268497	261720	243373
	Žene	95360	106558	113089	122491	126660	137304	138152	139117	131562
	Mladi (15-30)	76252	84048	85764	91284	95134	99952	95230	88062	77932
	Stariji (50-64)	23204	25703	27489	30852	35490	41295	46647	48566	48025
	Dugoročno nezaposleni (godinu i više)	66545	76273	83768	98319	101448	106387	110901	101778	80659
	Osobe sa invaliditetom	2897	3683	3914	4147	4913	5860	6476	6573	6563
	Romi	1036	1474	1656	1592	1994	2866	4150	5285	5389
	Lica bez kvalifikacija I sa niskim nivoom kvalifikacija	30623	33127	34579	36862	41468	44301	48659	51168	46443

Source: NES.

The above table, completed on the basis of NES data, shows that the total number of unemployed persons covered by the measures stagnated during the implementation of the Strategy. If we look at the trend of the number of people involved in financial measures, we could see a trend of gradual decline in the number of these people, especially after 2015. Compared to 2011, that number more than halved in 2019.

On the other hand, it can be noticed that the measures perfectly target vulnerable groups - more than 90% of the persons covered by ALMP measures belong to one of the vulnerable groups in every year. The problem here is that vulnerable groups are extensively and non-discriminatorily grouped into a single category, so that about 80% of the unemployed are part of a vulnerable group. The point is that shallow (in terms of vulnerability) and mass demographic groups, such as women, youth and the elderly, are grouped together with deeply vulnerable and relatively narrow groups such as Roma, PWDs, cash social assistance beneficiaries, etc. This makes it difficult to classify and prioritize vulnerable groups, although the NES clearly applies additional criteria, including the identification of

multiple vulnerable individuals. Thus, by comparing the columns of the total number of unemployed and employed from the records, it can be seen that the NES is especially efficient in employment from the records of Roma, PWDs and beneficiaries of financial social assistance.

However, for a more permanent withdrawal of members of the most vulnerable groups from the spiral in which periods of poorly paid and insecure, sometimes subsidized jobs and periods of prolonged unemployment alternate, it is necessary for them to be supported by a wide range of successive or parallel services and more expensive measures over a longer period. Due to the lack of funds and opportunities for intensive advisory work and especially for participation in several financial measures, this usually does not happen. Therefore, some measures, such as public works, may be effective in rapidly 'relocating' the unemployed to employment status, but are less effective in keeping them in that status in the long run. It is crucial to understand that as the number of unemployed on the register gradually decreases (which is almost certain when the current covid-19 crisis ends), longer and harder to employ persons will remain on the register and achieving their sustainable and productive employment will need intensive advisory work and potentially long-term support through financial measures. This again implies the need for increased investment in ALMPs - both in financial measures and through an increase in the number of advisors in the NES and their higher salaries.

#### 4.4. Reducing duality in the labor market

##### 4.4.1. Increasing formal employment and decreasing informal employment

The strategy has taken a modern and balanced approach to reducing informal employment, pointing to the need to develop incentives for its formalization, as well as the importance of preventive action, rather than sanctions. However, the incentive philosophy basically advocated by the Strategy, including the reduction of taxes and contributions, referring to the proposals of the social partners, was not predominantly applied in the period after the adoption of the Strategy. This is because the instruments for addressing the problems of informal employment and the gray economy were mostly outside the immediate scope of the Employment Sector, i.e. later the Labor and Employment Sector within the MoLEVSA. The Labor Inspectorate, although operating within the MoLEVSA, has no policy-making authority. Halfway through the implementation of the Strategy, under the influence of the business community, the National Program for Suppression of the Gray Economy was adopted in December 2015, whose main declared goals were defined significantly differently - as a "strategic approach to solving the problem of illegal business and unfair competition." In that way, the emphasis, not only semantically, was shifted from formalization to the suppression of the gray economy, and from the careful balancing of incentives, prevention and punishment, moved to a more traditional approach in which prevention and punishment dominate. The multidimensional problem of informal employment has thus become only a part of the agenda which has in its focus the suppression of illegal business and unfair competition to legal economic entities. It turned out that according to the NALED survey in 2017, there was a large decrease in the volume of the gray economy compared to 2012, when the previous survey was conducted - in registered economic entities, the gray economy decreased from 21.2% to 15.4% of GDP. However, informal employment measured in the LFS remained largely resistant to the measures envisaged by the National Program for the Suppression of the Gray Economy.

The strategy envisaged a reduction in the share of informal employment of the working age population in the total number of employees, which in 2010 amounted to 17.2%. Although the absolute number

of informally employed increased (from 390,000 to 429,000<sup>62</sup>), the faster growth of formal employment over a ten-year period and the value of participation of 15.7% in 2019 testify to the success.

The category of informally employed includes all persons working in an unregistered company, employees in a registered company but without a formal employment contract and without social and pension insurance, as well as unpaid family workers. Given that informal employees have relatively weaker legislative protection of employment than formal workers, employers first laid off workers engaged in the informal market during the economic crisis. As a result, informal employment declined faster than formal employment until 2012. The moment the recovery began, the relatively faster growth of informal employment began as well, thus contributing to the rate of informal employment of the adult population to take the form of the curve of the Latin letter "U". On the other hand, the shape of the informal employment rate of the working age population was significantly more irregular in the first half of the decade. However, the informal employment rate for both ages has been steadily declining since 2016.

Due to the availability of data, a more detailed analysis of the trend of informal employment is possible only for the adult population (15+). The most represented category within the informally employed in Serbia are the self-employed, among which the self-employed in agriculture dominate. With the exception of 2015 (which may be a consequence of methodological changes), the share of employees among informal employees ranged from 42% to 46% and increased compared to the beginning of the period. The second most represented category, unpaid family workers, has drastically reduced its share over time from 40% to 28%. This category is also in the most unfavorable position among informal employees. The least represented category, whose participation is still constantly increasing, is composed of employees for salary in unregistered companies. Their share in total informal employment increased from 17% to 26%.

It should be noted that in addition to LFS data, information on formal employment can also be obtained by combining data from the Central Register of Compulsory Social Insurance and the Statistical Business Register. Previously, data on registered employment could be obtained exclusively through the RAD survey, while since 2015 they have been collected according to an improved methodology, which has resulted in a greater match between formal employment from LFS and registered employment published by the SORS.

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<sup>62</sup> 2019. LFS, SORS.

Table 41 - Employment by categories of formalities / informalities (in thousands), 2010 -2018

Type	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Self-employed in unregistered businesses	207.1	187.2	168.8	205.4	228.7	188.9	248.4	281.1	253.5	
Employees for salary without a written contract	79.2	66.3	60.3	70.6	101.9	125.8	132.9	136.5	142.7	126.6
Unpaid family workers	192.1	179.7	168.9	176.6	211.9	209.2	218.0	161.6	157.6	137.1
Formal employment	2059.5	1956.6	1964.3	1991.7	2016.9	2050.3	2120.2	2215.5	2279.1	2371.8
Informal employment	478.4	433.3	398.0	452.5	542.5	523.9	599.2	579.2	553.8	529.2
Informal employment rate 15+	18.9%	18.1%	16.8%	18.5%	21.2%	20.4%	22.0%	20.7%	19.5%	18.2%
Registered employment according to CROCSI						1989.6	2009.8	2062.6	2131.1	2173.1

Source: LFS, SORS and SORS for registered CROCSI employment

<https://data.stat.gov.rs/Home/Result/24021101?languageCode=sr-Cyrl>

When it comes to the sectoral structure of informal employment, almost half of informal workers are engaged in agriculture. It is understandable that this share would be somewhat lower if the working age population were considered. Apart from agriculture and the household sector, most informal workers in Serbia are engaged in construction, wholesale and retail trade and repair of motor vehicles and the manufacturing industry. If, on the other hand, the ratio of informal and formal workers were observed, the sectors with the highest rate of informal employment in Serbia would be Agriculture, Construction, Other service activities and Arts and entertainment. Employers hire one informal worker per one formal in Agriculture, 2 formal in Construction and 3 formal in the remaining two sectors on average.

Table 42 - Type of employment by sectors in 2019 (15+)

Sectors	Total	Formally employed	Informally employed	Informal employment rate by sector	Sector share in total informal employment
Agriculture, forestry and fishing	452746	233448	219298	48%	41%
Mining	30903	30744	159	1%	0%
Manufacturing	541952	516335	25617	5%	5%
Electricity, gas and steam supply	38266	38256	10	0%	0%
Water supply and wastewater management	45776	43064	2712	6%	1%
Construction	138996	94459	44537	32%	8%
Wholesale and retail trade and repair of motor vehicles	385955	355754	30201	8%	6%
Traffic and storage	157000	148632	8368	5%	2%
Accommodation and catering services	105211	89023	16188	15%	3%
Information and communication	78421	74060	4361	6%	1%
Financial and insurance activities	46690	45885	805	2%	0%
Real estate business	4904	4307	597	12%	0%
Professional, scientific, innovative and technical activities	95285	89728	5557	6%	1%
Administrative and support service activities	53149	46392	6757	13%	1%
Public administration and compulsory social insurance	152377	152055	322	0%	0%
Education	183213	178413	4800	3%	1%
Health and social protection	158789	157125	1664	1%	0%
Art; entertainment and recreation	47678	35809	11869	25%	2%
Other service activities	50675	37252	13423	26%	3%
Household activity as an employer	132156	45	132111	100%	25%
Activities of extraterritorial organizations and bodies	857	726	131	15%	0%
Total	2900999	2371512	529487	18,2%	100%

Source: Author's calculation based on LFS, SORS data.

As can be seen from the attached data, informal employment shows considerable numerical resistance. Although it is still predominantly represented in agriculture, its significant pockets are also found in construction, trade and catering. What these activities have in common is that they are activities with below-average wages. Analyzes have long confirmed that below-average wages are highly taxed in Serbia and that this is one of the key reasons for the persistence of informal employment<sup>63</sup>. Very little has been achieved in the area of macroeconomic fiscal policy-making, and where the influence of the MoLEVSA and the social partners is insufficient to impose a debate on the need for a radical reform of the labor tax system in Serbia.

On the other hand, the costs of formalization are very high, both for informal businesses and for informal employees. Koettl<sup>64</sup> showed that due to the specifics of our labor taxation system and the rules for granting social assistance, the marginal effective formalization rate is in some situations higher than 100%, in other words, that social assistance beneficiaries who accept low-paid part-time work directly lose income. The introduction of work benefits, a scheme used in many countries around the world, which consists of low-paid formal workers being able to keep a certain percentage of cash social assistance or receive additional financial assistance, would be an important incentive solution for user activation.

#### 4.4.2. Mutual respect for the rights and obligations of employees and employers by introducing the concept of flexicurity

The text of the Strategy points to several legal solutions that seemingly provided high protection to certain categories or all formally employed, and in essence could have done them a disservice, discouraging employers from hiring them or creating jobs. In particular, the rule that provided severance pay for all years of service to an employee was pointed out, regardless of whether and to what extent he had already exercised that right and regardless of whether he had completed that service with the current employer.

##### *Amendments to the Labor Law*

With the amendments to the Labor Law from 2014, as an introduction to the fiscal consolidation program and as a sign of good will towards foreign investors and international organizations that called for deregulation of the labor market in order to increase the competitiveness of the Serbian economy, these and other provisions were changed and pendulum moved from “secure” to “adaptable” employment. These amendments reduced many monetary and non-monetary rights of employees. According to the estimates, the real salary decreased one-time by 2-3% on the basis of the reduction of rights (Arandarenko and Aleksić, 2016).

The Labor Law provides for two types of employment contracts: for an indefinite period and for a definite period of time. In addition to these two forms of employment, there are four other types of

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<sup>63</sup> Arandarenko, M. and Vukojevic, V., 2008. Labour costs and labour taxes in the Western Balkans. *Enhancing efficiency and equity: challenges and reform opportunities facing health and pension systems in the Western Balkans*, 119. Also see Koettl-Brodmann, S., Reyes, G., Vidovic, H., Arandarenko, M., Aleksic, D., Brancatelli, C., Leitner, S. and Mara, I., 2019. *Western Balkans Labour Market Trends 2019* (No. 135370, pp. 1-122). The World Bank.

<sup>64</sup> Koettl, J., 2013. Does formal work pay in Serbia? The role of labour taxes and social benefit design in providing disincentives for formal work. In *Poverty and Exclusion in the Western Balkans* (pp. 133-154). Springer, New York, NY.

contracts between the employer and the employee that can be concluded without concluding an employment contract - (1) service contract, (2) temporary and occasional employment contract, (3) contract on professional training and advanced training and (4) a contract for additional work. These atypical employment contracts for employers are almost as burdened with labor taxes as traditional employment contracts, but represent a less attractive package for workers mainly due to lower benefits (such as paid annual leave) and less legislative employment protection (such as severance pay) . In practice, companies use these modalities of non-employment contracts much more than provided by law because such atypical contracts are often the only choice for workers entering the labor market. In addition, the law does not facilitate the transition from atypical contracts to employment contracts, which is very rare in practice.

Until 2014, fixed-term contracts in Serbia had a maximum duration of 12 months. Amendments to the law have extended the duration of these contracts, which can now last up to two years, and even longer if necessary due to the replacement of a temporarily absent employee or until the completion of a project whose duration is predetermined. In practice, however, it often happens that after the expiration of a period of 24 months, the employer offers the employee a new fixed-term contract with a slightly changed job description or in the name of the daughter company, thus avoiding legal regulations. This practice is spreading even in the public sector due to the long duration of the ban on new employment in it, which needs to be regulated by removing this ban with the completion of the long-delayed public administration reform. In the private sector, it is necessary to rebalance incentive and inspection measures so that employers do not circumvent the obligation to change the contractual status of employees after the expiration of atypical contracts. However, better legal regulation could have an even greater reach. Comparative law knows relatively simple solutions to prevent the excessive spread of this practice. This is achieved primarily through the legal definition of the maximum period after which a fixed-term employee automatically becomes an indefinite employee. This is usually after two to four years of work with the same employer, regardless of any other circumstances, such as a change of specific job, and even when it comes to working through an employment agency.

Amendments to the 2014 Labor Law have diminished the importance of collective negotiation, at least in the private sector. The new rules have tightened the criteria for obtaining extended effect of branch collective agreements on companies that are not signatories to the agreement. The changes have further undermined the development of sectoral negotiations outside the public sector (where the government can negotiate directly with branch unions). Previously, it is best seen from the fact that until the amendments to the Labor Law in 2014, there were three agreements with extended validity in the private sector (chemical and non-metal industry, construction and construction materials industry and metal industry), while in 2015 and 2019 there was only one - not too important - in the sector of pop artists. The rarity of branch collective agreements is influenced by other reasons, such as weakness and a small number of branch union members within the only representative employers' association, as well as the influence of the Foreign Investors Council, which advocates negotiations at the company level and advises its members not to cooperate with the Employers' Union. In contrast to the private sector, in 2019 there were 19 (special) branch collective agreements within the public sector signed by the Government of the Republic of Serbia or local self-government.

The position of trade unions has been weakened through changes in legislation in another way. Namely, certain categories of employees, primarily union leaders and workers' representatives, were previously almost completely protected from dismissal. According to the new regulations, the employer can regularly terminate the employment contract with them, except for their activities as employee representatives.



Certain amendments to the Labor Law from 2014 not only reduced certain workers' rights, but also directly affected the reduction of workers' monetary compensations. According to the current rules, compensation for past work is calculated only for the time the employee spent working with the current employer (and not for full years of service as it was before). Also, the minimum percentage of salary that the employer is obliged to pay to the employee for each year of service has been reduced from 0.5% to 0.4%. Mandatory salary premiums for shift work have been abolished, and the amounts of these premiums have been left to be defined through collective bargaining. The holiday allowance is also reduced due to the fact that the bonuses that the employee earned in the previous period are excluded from the calculation of this allowance. The number of paid days for leave for personal reasons has also been reduced from 7 to 5 in one year. It is also stipulated that an employee may be temporarily transferred to another job without an internal procedure for a maximum of 45 working days during a period of 12 months.

### *Agency Employment Act*

However, we should also mention the changes that represent a shift in a positive direction, which certainly includes the adoption of the Law on Agency Employment, which was adopted by the National Assembly in December 2019. This, after a long time, broke the institutional vacuum that employment agencies and companies that hire workers used extensively to appropriate the rent from "leasing workers". Accordingly, this law aims to prevent contracts that lead to precarious working conditions and at the same time provide employers with flexibility and adaptability to changing business circumstances. The law establishes a three-way legal relationship between the employee, the temporary employment agency and the beneficiary's employer. An employee may enter into an employment contract with the agency for an indefinite or definite period of time. In the latter case, the agency may offer the employee to work for the beneficiary's employer for a period not exceeding 24 months, in accordance with the relevant provisions of the Labor Law. In September 2020, 66 temporary employment agencies were registered in Serbia. According to rough estimates, a total of about 100,000 workers were hired through them in 2017 (or about 2% of registered employment), both private and public sectors.

Despite some controversy, the adoption of the Law on Agency Employment can be considered an improvement, as until now "hired workers" could be hired through temporary and occasional employment contracts that did not provide them with basic employment rights such as sick leave and the right to vacation, among other things. In addition, this law stipulates that the hired worker should be provided with the same working conditions as regular workers who are employed by the employer of the beneficiary, and who perform the same or similar type of work. This primarily refers to conditions such as working hours, overtime and night work, the right to leave and the right to an identical salary calculation. The concept of a comparable worker is a novelty that can cause a number of questions in practice, especially in cases where the employer of the user does not have a comparable worker. Since the implementation of this law started only in March 2020, it is not possible to assess its impact in practice.

Another change, important for the goal of reducing informal and increasing formal employment, refers to the regulation of seasonal work through the Law on Simplified Work Engagement in Seasonal Jobs for Certain Activities, which was passed in 2018, but its full implementation began only in 2019. The law defines jobs where seasonal workers can be engaged in the sectors of agriculture, forestry and fisheries. The law also stipulates that an employer may employ a seasonal worker for up to 180 days in a calendar year, whereby the worker is entitled to pension and disability insurance, as well as health

insurance in case of workplace injuries and work-related illnesses during employment. The compensation is calculated and paid per hour of work in the amount not less than the prescribed minimum wage. The new law also stipulates that a worker is not deleted from the unemployment register while working on a seasonal job, nor is the payment of unemployment benefits suspended. Although the law is an important step in advancing the rights of seasonal workers, it represents a significant additional financial burden for many employers, most of whom are farmers and other self-employed, who do not necessarily fall under the formal economy, so coverage is far from full. Thus, the use of this institute in practice is limited to larger employers in agriculture. Only a fundamental reform of the social security system, and in particular the pension insurance system, where seasonal workers can count on tangible benefits from formalization, including the right to dispose of paid pension contributions based on seasonal work in case they do not qualify for old age pension, could enhance their interest in this institute and its expansion to other areas, especially home help, tourism and construction.

### *Unemployment benefit*

The part of the concept of flexicurity that refers to security also refers to the adequate and time-limited access of unemployed persons to passive labor market measures - primarily unemployment benefit as the most important institution of passive labor market policy.

Changes in the unemployment benefit system that occurred after 2000 have had the effect of increasing its restrictiveness - both in terms of entitlement to benefits and in terms of the length of income and the amount of benefits. At the time of the implementation of the Strategy, the rules from 2009 were valid, so that minor changes would occur first in 2015, and then somewhat larger in 2018. During the decade of validity of the Strategy, the changes were related exclusively to the further reduction of the generosity of unemployment benefits.

The average amount of compensation was slightly reduced in 2015, when the basis for calculation became the average wage of an employee in the previous 12 months. Until these changes, the base was also the average wage of the employee, but during the 6 months that preceded the termination of insurance. Bearing in mind that the average wage in the last 6 months, under other unchanged conditions, is generally higher than the wage in the last 12 months, the beneficiaries received a slightly lower average payment than before. According to the provisions of 2009, regardless of the amount of income during employment, the beneficiary of cash benefits cannot receive compensation lower than 80% of the minimum wage, nor higher than 160% of the minimum wage. In this regard, the change led to a reduction in unemployment benefits for all those between the statutory minimum and maximum levels, but had no impact on extreme values, as they continued to depend on the official minimum wage.

The second, and much larger, change occurred in 2018, when, as a consequence of the application of the new calculation methodology, the average amount of compensation was reduced, as well as its minimum and maximum values. Following the example of the pension system, the methodological innovation referred to the introduction of a daily base (something like a general point) and a personal coefficient as the basic instruments for determining the amount of compensation. The value of the daily base (gross) of 1,000 dinars was legally determined in 2018 with the intention of harmonizing it with the growth of consumer prices in the future. In order to establish the personal coefficient, the annual salary of the user and the average annual salary per employee in the Republic of Serbia are compared. By multiplying the personal coefficient and the daily base by the number of calendar days in the month, the gross amount of compensation is obtained, which cannot be lower than the legally

prescribed 22,390, i.e. higher than 51,095 dinars. Since extreme values directly depend on the daily basis, their values will be harmonized with the growth of consumer prices.

By applying the new methodology, the minimum and maximum amount of compensation have been systematically reduced on two grounds. First, the statutory minimum of 22,390 is well below 80% of the minimum wage, which was the previous minimum wage limit. Having in mind the amount of the average gross minimum wage in 2018 of about 33,400, the minimum compensation according to the new methodology is only about 67% of the minimum wage. Secondly, based on previous trends in minimum wages and consumer prices, it is clear that the former is growing much faster than the latter (except in crisis years, which cannot be said for the period after 2017), so adjustments to the minimum fee are much slower than in the case of the old methodology. This is also valid in the case of the upper limit, which instead of the previous 160% of the minimum wage in 2018 amounted to about 153%. Although the reduction of 13 percentage points in the case of the minimum amount of compensation does not seem excessively worrying at first glance, these are extremely low net amounts (below 15,000 net in 2019), so any reduction is significant.

In addition to the hypothetical example, we have considered so far, the difference in the minimum and maximum amounts is best illustrated by the data on the extreme average monthly amounts of benefits paid in 2019 to those who exercised rights before the amendments to the Law on Employment and Unemployment Insurance and those who achieved rights after the amendments to this law. The lowest gross amount according to the old methodology was on average 28,985, while according to the new one it was 22,801 dinars. On the other hand, the highest gross amount according to the old methodology was on average 57,954, while according to the new one it was 52,856 dinars.

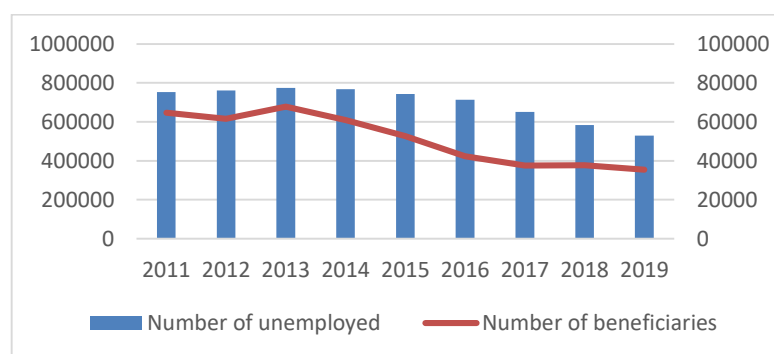
The reduction in the amount of unemployment benefits did not spared even those who are between the two extremes. We will demonstrate that on the example of an insured person who earned a gross wage in the amount of 600,000 dinars in the previous year. The replacement rate according to the old methodology was 50% of the earned wage in the previous 12 months, i.e. 25,000. The new methodology involves first calculating a personal coefficient ( $600,000 / 823,548 = 0.728555$ ) which is then multiplied by the daily allowance base to obtain the gross daily allowance ( $0.728555 * 1.039.38 = 757.25$ ). The final amount of the fee will depend on the number of calendar days and will range between 21,203 and 23,474 dinars, which is significantly lower than the amount obtained according to the old methodology. In other words, the replacement rate for this hypothetical worker was reduced from 50% to 42% to 47%.

By abolishing the 2% increase for each year of service and introducing a gradual reduction in the replacement rate from 60% to 50% in 2003, then moving fully to a single replacement rate of 50% in 2009 and finally reducing the replacement rate to below 50%, depending on the amount of previous income, the continuity of the replacement rate reduction continued. By reducing the replacement rate and tightening the conditions for receiving benefits, the function of unemployment benefits as an attractive circumstance for formalization is disrupted. In addition, it undermines the function of unemployment benefits as a legitimate and economically efficient temporary instrument that allows users to maintain the necessary minimum level of spending while intensively searching for a new job. It is therefore necessary to revise the latest restrictive reforms, use the same indexation formula for unemployment benefits as for pensions, and at least return the safeguard clause where the lowest benefit should not be less than 80% of the minimum wage.

### *Coverage of unemployment benefit*

In addition to the relatively low unemployment benefit, Serbia is also characterized by a relatively low coverage of the unemployment benefit system. The ratio of the number of beneficiaries of cash benefits and the total number of unemployed persons registered with the National Employment Service was single-digit during the entire period of implementation of the Strategy. Moreover, the share of benefit recipients in the total number of registered unemployed fell from 8.6% at the beginning of the period to 6.7% in 2019. According to this indicator, Serbia is one of the countries with the smallest coverage of this system, when it comes to the international context.<sup>65</sup>

*Graph 2 - Number of unemployed in the NES records (left) and number of unemployment benefit beneficiaries (right)*



Source: Monthly statistical bulletin NES No. 209, January 2020.

Positive trends in the labor market and the tightening of conditions that led to a decrease in the number of unemployment benefit beneficiaries, but also a reduction in the replacement rate, influenced the total expenditures for these purposes to be significantly lower in 2019 compared to the beginning of the period. When summarizing all benefits - general cash benefits, temporary cash benefits for persons from the territory of Kosovo and Metohija and special cash benefits for those who lack a certain number of years until retirement, the amount of about 23.6 billion dinars from 2011 is almost twice (absolutely) higher than the one from 2019 (around 13.3 billion dinars).

Stability and desired expansion of AEP financing suffered a major blow with the measure adopted as part of the gradual reduction of the tax burden on labor, which in 2019 abolished employers' contribution to unemployment insurance in the amount of 0.75% of employees' gross earnings, which practically halved their own revenues of the NES as a social security fund. This reduction was prepared by the described unnecessary and unjustified reduction of unemployment benefits. This continued the negative spiral of reducing expenditures and available funds for fees and ALMPs. This will certainly have negative consequences for the sustainability and the necessary expansion of funding for both passive and active labor market policies during the implementation of the next Employment Strategy.

<sup>65</sup> <http://www.social-protection.org/gimi/gess/RessourceDownload.action?ressource.ressourceId=37697>

## 5. SUMMARY ANALYSIS OF THE STRATEGY ACHIEVEMENTS BASED ON THE CRITERIA OF RELEVANCE, EFFECTIVENESS, EFFICIENCY AND SUSTAINABILITY

In order to summarize the success of the planning and implementation of the Strategy, four common evaluation criteria were used, namely relevance, effectiveness, efficiency and sustainability. The relevance criterion is applied in order to assess whether the established priorities, planned goals and planned activities were adequate for the situation and changes in the labor market of Serbia established during the adoption of the Strategy. The criterion of effectiveness should indicate the effectiveness of the undertaken activities and applied measures, i.e. to answer the question to what extent they have led to the realization of the set priorities, goals and measurable indicators. Efficiency refers to the consideration of the manner of spending resources, and on the basis of this criterion, it is assessed whether the planned activities were adequately supported by existing resources, as well as whether these resources were used satisfactorily. Finally, the sustainability of the implemented activities is assessed, as well as the need to additionally support these activities in the coming period through the adoption of strategic documents, regulatory framework, and finding sources of funding, human and other resources. The following is an analysis according to the given criteria, where each of the mentioned criteria is analyzed on the basis of pre-defined questions used during the evaluation of the Strategy and the basic conclusions are presented.

RELEVANCE	
Are the policy objectives related to the general public policy documents and priorities of the Government? Are the activities in line with the long-term strategic orientation of the country?	The strategy was created on the basis of the previous Strategy 2005-2010, as well as on the basis of a number of analyzes of the labor market and vulnerable groups. It was adopted in the period marked by the global financial crisis in 2008, which spilled over to Serbia and hit the labor market particularly hard. In that period, a new comprehensive strategy "Europe 2020" was also adopted in Europe, which was supposed to respond to the global challenges in creating employment and inclusive growth in the post-crisis period. Given the European orientation of Serbia and the optimism regarding EU accession by the end of the decade, the Strategy was harmonized with the Europe 2020 strategy. The Post-Crisis Model of Economic Growth and Development of Serbia 2011-2020 was used as the main strategic framework and basis for planning measurable indicators, to which the Strategy is extensively referred, although it later turned out that the document never became the country's official long-term development strategy. Based on all this, it can be said that the planned activities were in line with the long-term strategic orientation of the country - to the extent that it could be identified at a given moment.
Why public intervention was needed (policy making and implementation)?	The main goal of the employment strategy is to increase employment and reduce unemployment as one of the key aspects of the economic and social development of each country. It is, either independently or as part of broader strategic packages, a necessary pillar of long-term development planning in modern economies. This

	<p>approach is central to planning economic and social development in the EU, whose membership Serbia actively aspires to. More importantly, from the point of view of public policy priorities at the time, the situation on the labor market at the time of the adoption of the Strategy was very difficult due to the prolonged global economic crisis and economic transition characterized by "unemployed growth" for many years. These two phenomena were in negative synergy at the time of the adoption of the Strategy. The last important reason from the point of view of public interest refers to the long-term and completely justified public perception of unemployment as the biggest or one of the biggest problems of the country.</p>
<p>Are the correct priorities selected? Are the needs of the target groups fully met?</p>	<p>Having in mind the overview of the economic situation and the situation on the labor market at the time of adopting the strategy, the process aspect of adopting the Strategy that provided a broad and inclusive debate, as well as the goals set by the Europe 2020 Strategy, it can be said that the right priorities were chosen. The general view is that the Strategy as a document is well set out, usually based on precise and good analyzes. On the other hand, during the implementation period, significant changes took place which greatly affected the possibility of achieving certain priorities, even in the field of meeting the needs of target groups. Although these needs were well identified, the resources available to implement a sectoral active labor market policy were very limited, which inevitably limited their reach in meeting the needs of vulnerable groups.</p>
<p>Were the envisaged measures adequately planned and dimensioned, especially from the aspect of including the harder to employ and directing the measures to less developed areas?</p>	<p><i>The envisaged measures of active employment policy and support to local and regional initiatives are standard measures that are applied in other developed EU countries as well. Representatives of the Employment Sector and the NES had the opportunity to get directly acquainted with the institutional arrangements, policies and measures applied in EU countries with a longer tradition of active employment policy.</i></p> <p><i>The main deficiency of the conceptualization of vulnerable groups was in their too broad definition, so that at least 80% of all unemployed belonged to at least one of the vulnerable groups. In practice, this problem is generally addressed through the assessment of employability, which contains an algorithm that shows who needs to be involved in measures in relation to individual characteristics of the person. In addition, the concept of multiple vulnerabilities was used, where priority in access to intensive intervention and financial measures was given to persons with multiple vulnerability factors.</i></p> <p><i>In conclusion, it can be said that the envisaged measures were adequately planned, but that during the implementation more work was needed on more precise targeting, especially when it comes to vulnerable categories that the analysis in Chapter 3 found to be included in the AEP to a lesser extent than their share in unemployment. These are, as a rule, deeper vulnerable groups. Older (50-64), long-term unemployed, persons without qualifications and</i></p>

	<i>with a low level of qualifications and somewhat less pronounced CSA beneficiaries have a constant and significantly lower share in financial AEPs than participation in unemployment.</i>
<p>Conclusion: Based on the studied documentation and interviews with stakeholders who participated in the creation and implementation of the Strategy, the criterion of relevance is largely met. The strategic document is harmonized with the priorities and goals of the Government as well as the priorities and goals stated in the Europe 2020 Strategy. Public intervention was needed, and the envisaged priorities and planned measures were adequately set. There was a conceptual problem with targeting, which was relatively successfully heuristically solved by applying the concept of multiple vulnerabilities. During the implementation of the strategies, socio-economic, political and administrative changes took place, which to a large extent limited the possibilities of implementing the Strategy in the way planned, but this does not disturb the assessment of the relevance of the Strategy itself.</p>	
<b>EFFECTIVENESS</b>	
<p>Have the goals of the Strategy been achieved? Have the planned effects and results been achieved and have the conditions of development changed? If not, is it possible to quantify the difference and find the causes?</p>	<p>The analysis of quantitative indicators (data for 2019) found that most of the set goals of achievement have been achieved or almost achieved, and that almost all the remaining ones can be said to have made some progress. Paradoxically, the instrumental goal that is the main input for the implementation of AEPs and achieving overall and structural outcomes in the labor market - increasing the costs for AEPs was not only not achieved, but also reduced in relation to the initial value, and was below that value for the largest part of the implementation of the Strategy. This shows that the basic quantitative goals of the Strategy were achieved through macroeconomic policy and general structural reforms, or through the overflow of a positive global and European conjuncture, rather than through the direct impact of active labor market policy. The effects of macroeconomic achievements partially 'overflow' (trickle down) on the main target groups of the Strategy, but this spillover was incomplete, while in some cases it was almost completely absent.</p> <p>At the same time, this indicates limited opportunities for improvement when it comes to the position of the most vulnerable groups, which are usually the least affected by macroeconomic intervention. This is confirmed by the deterioration or below-average improvement of indicators for groups such as youth, Roma in some aspects, PWDs, rural population, lower education population and CSA beneficiaries.</p>
<p>Were the selected activities / measures relevant and most adequate to achieve the results? Were the results sufficient to achieve the goals?</p>	<p>In the conditions of (unnecessarily) strict budget constraints, described in several places in this analysis, the selected activities and measures were relevant for achieving the results, and in their creation and planning on an annual basis (through NEAP) numerous partners were involved, including government institutions and relevant ministries, trade unions, employers' associations and civil society organizations. The achieved results in the given circumstances contributed to the achievement of the goals, expressed in measurable indicators.</p>

<p>Are policy users satisfied with the results achieved?</p>	<p>Customer satisfaction analyzes are conducted in accordance with the certified quality management system ISO 9001:15 which is applied in the NES. Accordingly, 1) a survey on the satisfaction of the unemployed as a beneficiary and 2) a survey on the satisfaction of employers are planned and conducted. In 2017, an employer satisfaction survey was conducted in which 87% stated that they were generally satisfied with the NES service. On the official website of the NES, there is a questionnaire for the survey on the satisfaction of the unemployed as users, but not a report on the results obtained. As a rule, the unemployed give much lower ratings of satisfaction compared to employers - in 2012 2.8 compared to 4.1 (Kozlina, 2013). A recent analysis of Factor Plus gives more favorable estimates: 80% of respondents from the unemployed expressed satisfaction with the services of the NES, while 90.5% of respondents from employers are generally satisfied with the services provided by the NES.</p>
<p>What were the main factors that made it difficult, or favorable, to achieve the goals?</p>	<p>As already mentioned, the key input target regarding the amount of the budget that should be allocated annually to finance active labor market policy (0.5% of GDP) has not been even close. That allocation was 0.08% in 2019, which is less than the initial level, and does not correspond to the planned (difference of as much as 0.42 percentage points, or 500%). The causes can be found primarily in the budget restrictions for financing active employment policy measures, which were introduced during the first fiscal consolidation and were then transferred from year to year by inertia. The impact of the MoLEVSA on budgeting was minimal. Additional obstacles to increasing expenditures occurred at the end of the period with the halving of unemployment contributions, which is particularly significant from a sustainability perspective.</p> <p>Funds allocated for financing measures intended for PWDs and companies for vocational rehabilitation and employment of PWDs could significantly increase, especially when considered in relation to the inflow of funds into the Budget Fund based on financial obligations of employers presented by the Tax Administration in the amount of e.g. 4.31 billion RSD in 2019. These funds are many times higher than the total amount of funds allocated for the financing of all measures for PWDs and support to companies for professional rehabilitation and employment of PWDs (RSD 1.25 billion in 2019).</p> <p>In addition, over the last few years there has been a change in the organizational structure and the merging of several different sectors into one whole in the MoLEVSA. Thus, in 2017, the former independent Sector for Employment was merged with the Sector for Labor into one whole, which abolished the position of Assistant Minister for Employment. The ban on employment in the public sector lasted for almost the entire period, so due to the natural outflow and other reasons, the already insufficient number of executors in the parts of the MoLEVSA that made up the Employment Sector was practically halved. The organizational review conducted by the IPA-funded technical assistance package on direct management of employment policy grants identified only</p>



	<p>seven employees in 2017 (four in the Active Employment Policy Department) (apart from one civil servant dealing with redundancies in the privatization process) and three in the Normative Affairs Group) and two vacancies in the Department (for the EU Employment Strategy and for Youth Employment), while identifying a wide range of tasks and challenges (managing processes related to local employment policy; active employment policy, design, monitoring and evaluation of AEP measures, harmonization of supply and demand on the labor market, employment of young people, vocational rehabilitation and employment of persons with disabilities, development of the National Standard Classification of Occupations;). Today, the Department for Active Employment Policy has seven employees, and the Group for Normative Affairs has four, which is significantly below the level of human resources that would be needed to effectively manage the tasks assigned to the Department and the Group for Normative Affairs.</p> <p>There has been no significant reduction in the total number of executors in the NES, but internal organizational reforms have merged two large end-user-oriented sectors - one involving CGC, counseling, employment mediation and work with PWDs, and the other, which has included LLC programs, public works and employment subsidies), which covered the whole complex of measures and services according to the Eurostat methodology.</p> <p>One of the biggest obstacles are frequent organizational changes and changes in the composition of the RS Government, which were reflected in the functioning of the Ministry of Labor, Employment, Veteran and Social Affairs, as well as in the work of the NES.</p> <p>On the positive side, the realization of results and the realization of broader goals were largely contributed by funds from additional funds (donor funds), even when they did not contain a component of direct grants. Measures financed by donor funds in some cases could be assessed as more effective than similar measures implemented through the NES, but it largely depended on the target group and the interest of persons to register with the NES.</p>
<p>Conclusion: In terms of overall quantitative labor market indicators, the results achieved are either very close to the target values, or represent some progress in relation to the baseline value even though they have not been fully achieved. Despite the fact that these outcomes were achieved with very modest funds available to the operational implementers of the Strategy, this should not be interpreted as a definite success of the Strategy, but as a result of overall economic policies and favorable environment. Although limited in terms of resources, direct effects also exist, as can be seen from the overview of the gross effects of AEPs.</p>	
EFFICIENCY	
What indicators and target values are defined for the results and have they been achieved?	A detailed overview of indicators, target values and the degree of their fulfillment is given in Table 43.

<p>What are the costs of the result - per result and in total? How much do they deviate from the planned costs? Do the results justify the investment compared to the relevant benchmarks (comparison of total and unit costs)</p>	<p>An overview of the costs of AEP is given through Chapter 3 of the Analysis. In essence, despite very modest resources, it has occasionally happened that even those resources are not spent entirely due to administrative problems, or suboptimal design of measures, when they are not able to sufficiently interest employers or the unemployed due to unattractive conditions, as was the case with a subsidy that targeted CSA beneficiaries. On the other hand, greater flexibility in reallocating funds since 2017 (since the decision of the NES Board is sufficient for reallocation instead of the Government's decision) also carries risks of turning to easier and faster solutions for spending allocated funds instead of those that should respond to the biggest identified challenges in the labor market in accordance with the NEAP.</p> <p>Also, given that the NES does not yet apply the Eurostat methodology for classification and monitoring of total direct and indirect costs of services and active employment policy measures in its regular work, the actual costs of their provision remain underestimated because according to the current NES methodology they do not include labor costs of employees in the NES. This is especially pronounced for services whose almost entire costs consist of the work of NES employees.</p> <p>It should be noted that within the project of the RSJP and the World Bank, the NES successfully piloted the calculation of ALMP costs in accordance with the Eurostat methodology, but has not yet applied it in its regular work.</p>
<p>Were there opportunities for similar results to be achieved at lower cost?</p>	<p>A detailed analysis of the cost-effectiveness of the measures would certainly show certain irrationalities in spending funds. However, the following should be borne in mind: 1) total expenditures for active labor market policy measures are very small and 2) individual costs per participant in active programs are usually defined centrally (in terms of salary compensation, cash benefits, subsidies, etc.) or depend on the market price such as labor market trainings that are the subject of public procurement. This approach reduces the likelihood of irrationality in spending.</p> <p>At a more exact level, determining unnecessary costs as a consequence of poor targeting through the quantification of the so-called ballast effect, substitution effect, etc., is not generally possible due to the small number of scientific evaluations of ALMPs conducted during the observed period. This remains an important task for the next Strategy.</p>
<p>Were the resources engaged sufficient to achieve results?</p>	<p>The already presented data on the trend of total costs at ALMPs unequivocally indicate that the resources engaged (both financially and humanly) were not sufficient to achieve the results. The committed financial resources are smaller than the real needs, because they are sufficient for only a quarter of the registered unemployed to be included in the measures. More precisely, the coverage of persons with all 'interventions' in Eurostat terminology (both services and real expensive measures) is extremely small and amounted to only about 28% in recent years when unemployment</p>

	<p>(as a denominator) decreased. In that percentage, a large number of people (on average about three quarters) are covered by non-financial services and measures (for example, counseling, employment fairs, ATP 1 and 2, etc.), while financial measures are available for a small number of users.</p> <p>However, it should be emphasized here that there are different views among stakeholders and social partners on what measures and services should be insisted on in the future. While employers believe that investments in financial measures should be increased, some other partners believe that good results can be achieved by additional investments in non-financial measures, especially in the further development of career guidance and counseling. Basically, participation in non-financial measures is a key necessary condition for the successful implementation of a financial measure against an unemployed person. In the case of greater and especially multiple vulnerabilities, which is the case with the majority of the unemployed, financial measures are an indispensable instrument. Unfortunately, in the current circumstances, only a small number of those who need financial measures have the opportunity to participate in them.</p> <p>In addition, the relatively small number of employees working directly with service users in the NES (which means lower indirect costs of measures) reduces the possibility of providing specific individualized services. In particular, employment mediation opportunities have been reduced, due to the limited number of employees who would be more engaged in cooperation with employers.</p> <p>Permanent and intensive contact with employers has become a standard in work of modern public employment services in the last two decades. In this domain, it is necessary for the NES to have specialized advisors of appropriate qualifications and experience in human resources management in each branch and to provide a certain percentage of the total working time in employment mediation for individualized work of advisors with employers. Studies show that this approach results in systematically better results in terms of employment of unemployed beneficiaries.</p>
<p>Were the results achieved in accordance with the set deadlines? If not, what are the reasons for that?</p> <ul style="list-style-type: none"> <li>• Are the results achieved adequate?</li> <li>• Whether the activities were sufficient to produce results?</li> </ul> <p>Are the activities of appropriate quality and</p>	<p>The results were mostly achieved within the set deadlines, as defined in the annual NEAPs during the implementation period of the Strategy. In general, the activities that were planned on an annual basis were appropriate for achieving the planned results by years, but it happened that during certain years the activities were significantly reduced. For example, in 2014, for the reasons already mentioned, co-financing of LEAP was lacking. In addition, during the entire period of implementation of the Strategy (especially in the second half) it happened that the funds planned for certain measures were redirected to other programs and measures for which a greater interest would appear at a given moment, as well as at the level of the RS Government in the field of employment, as was the case with the Retraining Program for the IT sector. The funds were most often redirected to the measure of public works, for which there was great interest from users.</p>

quantity performed in a timely manner?	
<p>Conclusion: The effectiveness of the implemented policies and measures in the period of implementation of the Strategy can be assessed as satisfactory. The facts confirm that the funds committed were insufficient, that they were spent mostly according to the previously defined plan, but that there were some deviations, and that administrative circumstances and human resources were often a limiting factor to spend such small funds for the original planning purposes, or spend them at all.</p>	
SUSTAINABILITY	
<p>Is the progress made sustainable? Can the current regulatory framework allow for a more lasting benefit from the implementation of the Strategy?</p>	<p>The sustainability of the progress achieved through the implementation of the Strategy can be observed at the macro and sectoral levels.</p> <p>At the macro level, structural changes in the economy, as well as changes in the domain of macroeconomic stability, but also more specifically in the domain of the labor market, receive positive assessments from major international organizations and specialized agencies. Also, their estimates of GDP trends and key labor market indicators for Serbia during the crisis caused by the Covid-19 pandemic are more favorable than forecasts for the vast majority of European countries.</p> <p>Similarly, the relative success in preventing the spread of regional disparities in terms of employment and wages shown in the third part of the analysis can be attributed primarily to regional development policy measures that were objectively beyond the reach and influence of the Strategy holders, although in full agreement with the text and spirit of the Strategy.</p> <p>However, the sustainability of the already weaker progress of structural labor market indicators is more worrying, especially with regard to the position of deeply vulnerable groups in the labor market, such as Roma, PWDs, beneficiaries of social assistance, refugees and displaced persons, people without qualifications, people with multiple vulnerabilities, etc. While the existing regulatory framework for active labor market policy is satisfactory, there are several concerns about sustainability regarding the organizational capacity and human resources necessary to coordinate and implement ALMPs. The biggest problem is in the limited financial resources, both in the budget part and due to the halved amount of contributions for insurance in case of unemployment from 2019.</p> <p>An appropriate regulatory framework has been established, and the necessary changes are made when possible shortcomings are identified. Thus, changes are currently being made to certain laws, such as the Law on Employment and Insurance in the case of unemployment, primarily due to harmonization with the provisions of the Law on Planning System, but this moment should be used for other changes, i.e. to enable harmonization of employment policies (services and measures) that are applied with the EUROSTAT methodology, review the conditions for exercising the right to</p>

	<p>unemployment benefits, etc. Also, there are opinions that employment activities (especially when it comes to young people as a target group) can be at least as successfully addressed by civil society organizations sector, which the existing regulatory framework does not fully support. In the field of youth employment, this has been overcome to some extent through the Youth Strategy and regulations of the line ministry, but work should be done to improve the regulatory framework to enable employment of civil society organizations that often have better access to the most vulnerable groups of unemployed.</p>
<p>Are there financial and economic mechanisms for the long-term and sustainable benefits of the Strategy?</p>	<p>The stability and desired expansion of ALMP financing has suffered a major blow with hastily adopted measure that abolished the contribution of employers for unemployment insurance. This continued the negative spiral of reducing expenditures and available funds for ALMPs.</p> <p>On the other hand, measures of general support for growth and employment are beyond the direct control of the MoLEVSA as a key actor in the planning and implementation of this and future Strategies. Even if this is not the case, general macroeconomic and sectoral employment support measures, being anonymous and non-selective with regard to beneficiaries, are not able to make a greater breakthrough in activating and employing members of deeply vulnerable groups in the labor market, as is the case with well-targeted ALMP measures.</p> <p>It turned out that an additional obstacle to the sustainability of innovative programs and methods is the lack of established financial mechanisms, i.e. the provided way of financing certain programs after the termination of donor projects from which they were financed in cooperation with the NES. For example, the Youth Fund, which was identified in the 2011 Strategy as one of the pillars on which youth programs and measures were built, has ceased to exist. On the other hand, a special package of services for young people was introduced, which is financed from the funds available to the NES, whose evaluation was done in 2016<sup>66</sup>.</p> <p>The sustainability and, more importantly, the broad expansion of this package should be supported by additional activities, and this could include the formation of a special fund. Similarly, a number of established CIPC at LSGUs ceased to exist after the termination of funding from the direct IPA 2012 grant.</p>
<p>Are there adequate institutional capacities to maintain the positive effects of the Strategy?</p>	<p>In general, institutional capacities have been and continue to be the main limiting factor in the implementation of activities, achieving the results and objectives of the Strategy. In this sense, institutional capacities represent a potential bottleneck when it comes to the sustainability of the positive effects of the Strategy. They are clearly insufficient when it comes to the part of the Sector for Labor and</p>

<sup>66</sup> (<http://socijalnoukljucivanje.gov.rs/wp-content/uploads/2017/07/Evaluacije-paketa-usluga-za-mlade-i-relevantnih-programa-i-mera-finansiranih-iz-budzeta-Vlade-Republike-Srbije-koji-su-usmereni-ka-mladima.pdf>).

	<p>Employment within the MoLEVSA that deals with employment and has direct responsibility for monitoring the implementation of the Strategy, where the number of executors has more than halved since the beginning of the Strategy. In particular, they are not sufficient in the area of cross-sectoral coordination of the Strategy. Finally, human resources in all parts of the public administration have been exhausted by a long-standing ban on employment in the public sector. This ban has brought many employees to the status of workers with precarious contracts, which is reflected in the quality of services they provide.</p> <p>On the other hand, thanks to the reduction of the number of unemployed and the use of internal human resources reserves within the NES, the relationship between the number of advisors in direct work with beneficiaries in the NES and the number of unemployed has improved. However, that ratio is still well below European standards.</p>
By abandoning certain programs, would their results be annulled?	The character of most ALMP programs is such that they require if not permanent renewal, then appropriate reforms or new programs that would provide members of the target groups who are targeted by these programs with continuous support. While specific programs themselves are not indispensable, it is necessary to ensure that all target groups receive adequate support for as long as it is necessary through ALMP programs.
Are there sufficient capacities to sustain activities initiated by external assistance through own investments?	Based on several paradigmatic experiences during the implementation of the Strategy, it can be said that there is a serious risk that the activities initiated by external assistance will be sustained by own investments - either financial or in terms of human resources. Some examples of such risks include the Youth Employment Fund launched through an ILO project at the beginning of the implementation of the Strategy; regular practice of net evaluation of labor market programs; classification and monitoring of the costs of active measures in accordance with the Eurostat methodology, etc.; migration centers and business centers (for entrepreneurship development) within the NES, etc. A typical cycle of such activities involves development and expansion over the life of the international support program, followed by a gradual or abrupt cessation of activities.
<p>Conclusion: The sustainability of the results achieved during the Strategy implementation period largely depends on the ability and determination of public policy makers to ensure continuity in the implementation of adopted policies, programs and measures, and to use previously developed resources and capacities. If funding is not provided for programs that were supported by foreign investment after the end of the donor intervention, their effects will be limited until the duration of these funds. On the other hand, according to the findings of this analysis, the needs on the labor market have not changed drastically, new challenges have opened up, all the priorities from the existing strategy have not been fully realized, despite the fact that significant progress has been made. Therefore, the new Strategy should be a strategy of continuity but also of much greater ambitions, having in mind the increasingly critical demographic situation where it will be necessary</p>	

to make productive use of all existing human resources. It is crucial to work on further harmonization of the regulatory framework, providing financial resources and increasing the budget from which policies and measures will be financed, as well as improving human resources involved in creating and implementing active employment policy, both in terms of number and their expertise in the area of employment, mediation and career guidance and counseling.

*Table 43 - Degree of fulfillment of goals*

<b>Goal</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Expected Result</b>	<b>Achieved in 2019. (unless otherwise noted)</b>
Increasing the activity rate 15-64	Activity rate - proportion of working population in the total working age population, disaggregated by sex, age, educational level, regions.	Activity rate 15–64 - 58.8% in 2010.	Activity rate 15–64 - 68.8% in 2020.	Activity rate 15–64 - 68.1%.
Increasing the employment rate	Employment rate - proportion of employed persons in the total working age population, disaggregated by sex, age, educational level, regions.	Employment rate 15–64 - 47.1% in 2010.  Employment rate 20–64 - 51.1% in 2010.	Employment rate 15–64 - 61.4% in 2020.  Employment rate 20–64 - 66.3% in 2020.	Employment rate 15–64 - 60.7%.  Employment rate 20–64 - 65.2%.
Decrease the unemployment rate	Unemployment rate - proportion of unemployed persons in the active working age population, disaggregated by sex, age, educational level, regions.	Unemployment rate 15–64 - 20.0% in 2010.  Unemployment rate 20–64 - 19.5% in 2010.	Unemployment rate 15–64 - 10.8% in 2020.  Unemployment rate 20–64 - 8.38% in 2020.	Unemployment rate 15–64 - 10.9%.  Unemployment rate 20–64 - 10.6%.
Changing the sectoral structure of employment	Number of employees in industry.  Share of employment in industry in total employment.  Number of employees in agriculture.  Share of employment in agriculture in total employment.  Number of employees in the services sector.	Industrial employment 15–64 - 26.3% in 2010.  Agricultural employment 15–64 - 19.7% in 2010.  Employment in the services sector 15–64 - 54.0% in 2010.	Decline in employment in agriculture, increase in employment in industry and services.	Agriculture - 13.4%.  Industry - 28.8% (with construction 5%).  Services - 57.8%.

<b>Goal</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Expected Result</b>	<b>Achieved in 2019. (unless otherwise noted)</b>
	Share of employment in the services sector in total employment.			
Change in employment by type of employment	<p>Number of employees, sorted by gender, age, educational level, regions.</p> <p>Share of paid employees in total employment.</p> <p>Number of self-employed, sorted by gender, age, educational level, regions.</p> <p>Share of self-employed in total employment.</p> <p>Number of unpaid family workers, sorted by gender, age, educational level, regions.</p> <p>Participation of unpaid family workers in total employment.</p>	<p>Employed workers 15–64 - 1,651,602 or 72.8% in 2010.</p> <p>Self-employed 15–64 - 455,499 or 20.1% in 2010.</p> <p>Unpaid family workers 15–64 - 162,464 or 7.2% in 2010.</p>	Decline in vulnerable employment (self-employed and unpaid family workers).	<p>Employed workers 15–64 - 2,079,100 or 76.1%.</p> <p>Self-employed 15–64 - 544,000 or 19.9%.</p> <p>Unpaid family workers 15–64 - 110,100 or 4%.</p>
Reducing the share of the informal economy	<p>Number of employees in the informal economy, sorted by gender, age, educational level, regions.</p> <p>Participation of informally employed in the total number of employees.</p>	<p>Number of informally employed 15–64 - 390,365 in 2010.</p> <p>Share of informally employed in the total number of employees 15-64 - 17.2% in 2010.</p>	Decline in informal employment.	<p>Number of informally employed 15–64 - 429,000.</p> <p>Share of informally employed in the total number of employees 15-64 - 15.7%.</p>
Reducing regional disparities	<p>Employment rate by region, disaggregated by gender.</p> <p>Unemployment rate by region, disaggregated by gender.</p>	Employment rate 15–64 by regions - Belgrade region 50.7%, Vojvodina region 44.0%, Šumadija and Western Serbia region 48.4% and Southern and Eastern Serbia region 45.8% in 2010.	Reducing differences in employment and unemployment rates by region.	Employment rate 15–64 by regions - Belgrade region 64,9%, Vojvodina region 60,7%, Šumadija and Western Serbia region 59,8% and Southern and Eastern Serbia region 56,9%.



<i>Goal</i>	<i>Indicator</i>	<i>Baseline</i>	<i>Expected Result</i>	<i>Achieved in 2019. (unless otherwise noted)</i>
		Unemployment rate 15–64 by regions - Belgrade region 16.0%, Vojvodina region 20.4%, Šumadija and Western Serbia region 21.0% and Southern and Eastern Serbia region 22.1% in 2010.		Unemployment rate 15–64 by regions - Belgrade region 8,4%, Vojvodina region 9,3%, Šumadija and Western Serbia region 12,5% and Southern and Eastern Serbia region 14,1%.
Allocation of a larger amount of financial resources for active employment policy measures	<p>Amount of funds in the RS budget for active employment policy measures, by years.</p> <p>Share of financial resources allocated for active employment policy measures on an annual basis in GDP.</p> <p>Number of unemployed persons involved in active employment policy measures during one year, sorted by gender, age, educational level, regions.</p> <p>Participation of the unemployed who were included in the measures of active employment policy during the last year in the total number of unemployed in the NES records.</p> <p>Number of hard-to-employ and vulnerable categories of unemployed persons involved in active employment policy measures, disaggregated by gender, age, educational level, regions.</p> <p>Participation of hard-to-employ and vulnerable</p>	<p>Funds in the RS budget for active employment policy measures - 3.7 billion dinars in 2010.</p> <p>Share of financial resources for active employment policy measures in GDP - 0.1% in 2010.</p> <p>Number of unemployed persons included in active employment policy measures - 135,784 in 2009.</p> <p>Share of unemployed who were included in active employment policy measures in the total number of unemployed in the NES records - 18% in 2009.</p>	<p>Increased amount of funds in the RS budget for active employment policy measures to 0.4% by 2013, and then stabilization to 0.5% of GDP by 2020.</p> <p>Increased number of persons involved in active employment policy measures based on individual employment plans.</p> <p>Directing hard-to-employ and vulnerable categories of unemployed persons to be included in active employment policy measures.</p> <p>Created new measures for harder to employ categories of unemployed persons.</p>	<p>Funds in the RS budget for active employment policy measures - 4 billion dinars.</p> <p>Share of financial resources for active employment policy measures in GDP - 0.07%.</p> <p>Number of unemployed persons included in active employment policy measures - 142,540. Share of unemployed who were included in active employment policy measures in the total number of unemployed in the NES records - 28.1%.</p>

<b>Goal</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Expected Result</b>	<b>Achieved in 2019. (unless otherwise noted)</b>
	<p>categories of unemployed persons who were included in active employment policy measures during the last year in the total number of unemployed persons included in active employment policy measures.</p> <p>Number of created new measures for harder to employ and vulnerable categories of unemployed persons.</p>			
A larger number of unemployed persons are involved in active employment policy measures	<p>Share of long-term unemployment / share of long-term unemployed persons (over 12 months) in the total number of unemployed of working age, classified by gender.</p> <p>Long-term unemployment rate - the proportion of long-term unemployed persons (over 12 months) in the active working age population, disaggregated by sex.</p> <p>Very long-term unemployment rate - the proportion of persons seeking employment for at least 24 months in the active working age population, disaggregated by sex.</p>	<p>Share of long-term unemployment 15–64 - 71.7% in 2010.</p> <p>Long-term unemployment rate 15–64 - 14.3% in 2010.</p>	Continuation of the trend of reducing the share of long-term unemployment to below 50% of total unemployment.	<p>Share of long-term unemployment 15–64 - 50.3%.</p> <p>Long-term unemployment rate 15–64 - 5.5%.</p>
Employment of persons with disabilities	<p>Number of persons with disabilities covered by active employment policy measures, disaggregated by gender, age, educational level, length of job search, districts, regions.</p> <p>Number of persons with disabilities who were</p>	<p>Number of persons with disabilities covered by active employment policy measures - 2,264 in 2009.</p> <p>Number of persons with disabilities</p>	<p>Increased involvement of persons with disabilities in active employment policy measures.</p> <p>Increased employment of</p>	Number of persons with disabilities covered by active employment policy measures - 8,899.

<b>Goal</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Expected Result</b>	<b>Achieved in 2019. (unless otherwise noted)</b>
	employed from the NES records, sorted by gender, age, educational level, length of job search, districts, regions.	employed from the NES records - 1,604 in 2010.	people with disabilities.	Number of persons with disabilities employed from the NES records - 6,563.
Roma employment	<p>Number of Roma covered by active employment policy measures, disaggregated by gender, age, educational level, length of job search, districts, regions.</p> <p>Number of Roma employed from the NES records, sorted by gender, age, educational level, length of job search, districts, regions.</p>	<p>Number of Roma covered by active employment policy measures - 1,536 in 2009.</p> <p>Number of Roma employed from the NES records - 779 in 2010.</p>	<p>Increased involvement of Roma in active employment policy measures.</p> <p>Increased Roma employment.</p>	<p>Number of Roma covered by active employment policy measures - 6,602.</p> <p>Number of Roma employed from the NES records - 5,389.</p>
Employment of rural population	<p>Activity rate of the rural population - the proportion of the rural population in the total working age population, classified by gender, educational level, regions.</p> <p>Rural employment rate - the proportion of the employed rural population in the total working age population, disaggregated by gender, educational level, regions.</p> <p>Unemployment rate of the rural population- proportion of the unemployed rural population in the active working age population, disaggregated by gender, educational level, regions.</p>	<p>Activity rate of rural population 15–64 - 60.4% in 2010.</p> <p>Rural employment rate 15–64 - 49.7% in 2010.</p> <p>Unemployment rate of rural population 15–64 - 17.7% in 2010.</p>	Increasing the activity rate and employment rate of the rural population.	<p>Activity rate of rural population 15–64 - 68.7%.</p> <p>Rural employment rate 15–64 - 62.1%.</p> <p>Unemployment rate of rural population 15–64 - 9.5%.</p>
Employment of women	Female activity rate 15-64 - proportion of active female residents in the total working age population, classified by age, educational level, regions.	<p>Women's activity rate 15–64 - 50.6% in 2010.</p> <p>Women's employment rate</p>	Increasing the activity rate and employment rate of women.	Women's activity rate 15–64 - 61.3%.

<i>Goal</i>	<i>Indicator</i>	<i>Baseline</i>	<i>Expected Result</i>	<i>Achieved in 2019. (unless otherwise noted)</i>
	<p>Employment rate of women 15-64 - proportion of employed women of working age in the total working age population, sorted by age, educational level, regions.</p> <p>Unemployment rate of women 15-64 - proportion of unemployed women of working age in the active population of working age, classified by age, educational level, regions.</p> <p>Number of women covered by active employment policy measures, sorted by age, educational level, length of job search, districts, regions.</p> <p>Number of women employed from the NES records, sorted by age, educational level, length of job search, district, region.</p>	<p>15-64 -39.9% in 2010.</p> <p>Women's unemployment rate 15-64 -21.2% in 2010.</p> <p>Number of women covered by active employment policy measures - 80,996 in 2009.</p> <p>Number of women employed from the NES records - 75,541 in 2010.</p>	<p>Increased involvement of women in active employment policy measures.</p> <p>Increased employment of women.</p>	<p>Female employment rate 15-64 - 54.3%.</p> <p>Female unemployment rate 15-64 - 11.5%.</p> <p>Number of women covered by active employment policy measures - 79,283.</p> <p>Number of women employed from the NES records - 131,562.</p>
Youth employment	<p>Youth activity rate - proportion of active population aged 15-24 in the total working age population, disaggregated by gender, educational level, regions.</p> <p>Youth employment rate - proportion of employed youth 15-24 in the total working age population, classified by gender, educational level, regions.</p> <p>Youth unemployment rate - proportion of unemployed youth 15-24 in the active working age population,</p>	<p>Youth activity rate 15-24 -28.2% in 2010.</p> <p>Youth employment rate 15-24 - 15.2% in 2010.</p> <p>Youth unemployment rate 15-24 - 46.1% in 2010.</p> <p>Number of young people 15-30 covered by active employment policy measures - 61,279 in 2009.</p>	<p>Youth activity rate 15-24 - 30.7% in 2020.</p> <p>Youth employment rate 15-24 - 23.3% in 2020.</p> <p>Youth unemployment rate 15-24 - 24% in 2020.</p> <p>Ratio of youth unemployment rate and unemployment rate of the working age population is 2.1: 1.</p>	<p>Youth activity rate 15-24 -29.7%.</p> <p>Youth employment rate 15-24 - 21.5%.</p> <p>Youth unemployment rate 15-24 - 27.5%.</p> <p>Ratio of the youth unemployment rate to the unemployment rate of the working age population is 2.5: 1.</p>

<b>Goal</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Expected Result</b>	<b>Achieved in 2019. (unless otherwise noted)</b>
	<p>classified by gender, educational level, regions.</p> <p>Number of young people covered by active employment policy measures, disaggregated by gender, educational level, length of job search, districts, regions.</p> <p>Number of young people who were employed from the NES records, sorted by gender, educational level, length of job search, district, region.</p>	<p>Number of young people 15–30 who were employed from the NES records - 59,082 in 2010.</p>	<p>Participation of young people 15-19 in education - 90% in 2020.</p> <p>Participation of young people 20-24 in education - 40% in 2020.</p>	<p>Participation of young people 15-24 in education (formal and non-formal) - 66.9%.</p> <p>Number of young people 15–30 covered by active employment policy measures - 44,881.</p> <p>Number of young people 15–30 who were employed from the NES records - 77,932.</p>
Employment of the elderly	<p>Activity rate of the elderly - proportion of active residents aged 50–64 in the total working age population, disaggregated by gender, educational level, regions.</p> <p>Employment rate of the elderly - number of employees aged 50–64 in the total working age population, classified by gender, educational level, regions.</p> <p>Unemployment rate of the elderly – number of unemployed elderly 50–64 in the active working age population, classified by gender, educational level, regions.</p> <p>Number of older 50-65 covered by active employment policy measures, sorted by gender, educational level,</p>	<p>Activity rate of the elderly 50–64 - 47.1% in 2010.</p> <p>Employment rate of the elderly 50–64 - 40.7% in 2010.</p> <p>Unemployment rate of the elderly 50–64 - 13.5% in 2010.</p> <p>Number of older 50-65 covered by active employment policy measures - 61,279 in 2009.</p> <p>Number of older 50-65 who were employed from the NES records - 15,422 in 2010.</p>	<p>Increasing the employment rate of the elderly.</p> <p>Reducing the unemployment rate of the elderly.</p> <p>Increased involvement of the elderly in active employment policy measures.</p> <p>Increased employment of the elderly.</p>	<p>Activity rate of the elderly 50–64 -61.1%.</p> <p>Employment rate of the elderly 50–64 - 56.9%.</p> <p>Unemployment rate of the elderly 50-64 - 6.9%.</p> <p>Number of older 50-65 covered by active employment policy measures - 32,034.</p> <p>Number of elderly 50-65 who were employed from the NES records - 48,025.</p>

<b>Goal</b>	<b>Indicator</b>	<b>Baseline</b>	<b>Expected Result</b>	<b>Achieved in 2019. (unless otherwise noted)</b>
	length of job search, district, region.  Number of older 50-65 who were employed from the NES records, sorted by gender, educational level, length of job search, district, region.			
Employment of refugees and internally displaced persons	Number of refugees and internally displaced persons covered by active employment policy measures, disaggregated by sex, age, educational level, length of job search, districts, regions.  Number of refugees and internally displaced persons employed from the NES records, sorted by gender, age, educational level, length of job search, districts, regions.	Number of refugees and internally displaced persons covered by active employment policy measures - 315 in 2009.  Number of refugees and internally displaced persons employed from the NES records - 1,362 in 2010.	Increased involvement of refugees and internally displaced persons in active employment policy measures.  Increased employment of refugees and internally displaced persons.	Number of refugees and internally displaced persons covered by active employment policy measures - 1,122.  Number of refugees and internally displaced persons employed from the NES records - 1,659 in 2015.
Employment of beneficiaries of financial social assistance	Number of beneficiaries of financial social assistance included in active employment policy measures, sorted by gender, age, educational level, length of job search, district, region.  Number of beneficiaries of financial social assistance who were employed from the NES records, sorted by gender, age, educational level, length of job search, district, region.	No data is available at this time.	Increased involvement of beneficiaries of financial social assistance in active employment policy measures.  Increased employment of financial social assistance beneficiaries.	Number of FSA beneficiaries covered by active employment policy measures - 10,750.  Number of FSA users employed from the NES records - 13,089 in 2018.

## 6. CONCLUSIONS AND RECOMMENDATIONS

The National Employment Strategy 2011-2020 is basically a mature and rounded strategic document of its time. Its overarching goal - increasing employment - has been achieved almost entirely through the trend of employment rate indicators, but also accompanying activity and unemployment indicators. Its four priority or individual goals have also been achieved to a good extent. However, as is the case with other comprehensive and complex strategic documents, it is difficult to establish a clear link between the inputs, i.e. interventions envisaged within the Strategy or later incorporated into it, and its actual effects. Nevertheless, the process evaluation we conducted by analyzing the documents and interviewing the actors of its adoption, implementation and monitoring, also supports the generally desirable assessment of the relevance, effectiveness and efficiency of the Strategy.

It is necessary to point out the key procedural weakness of the Strategy - at the time of its adoption it was objectively the most comprehensive strategic development document, bearing in mind that the 'Post-Crisis Growth Model', on which the Strategy explicitly relies, was only an unofficial document, but it has remained a relatively narrow sectoral strategy in the way it is implemented and monitored - the overriding concern of a relatively small sector within, for most of its implementation, a not too strong ministry. This is a consequence of the long-term conceptual disapproval of economic policy makers to integrate full employment as an explicit ultimate goal of the country's socio-economic development, which has been slowly changing recently with the gradual adoption of the European development planning framework.

However, it can be argued that the "Post-Crisis Growth Model", not so much as an operational document, but as a manifestation of the way of thinking and expert consensus of domestic economists and foreign consultants, has continued to influence macroeconomic and labor market policies over the past decade. Thus, these two parallel tracks - the track of macroeconomic and structural reforms, especially in the area of creating a more favorable business environment, encouraging direct investment, reindustrialization and policies affecting employment and the track of direct work with the unemployed - have remained relatively aligned. On the other hand, there was no active coordination between them during the implementation of the Strategy. In fact, the MoLEVSA did not have enough influence to fight within the Government for a larger budget for active labor market measures - which form the core of the already defined Strategy and whose implementation is under its full or almost full control. This budget has been below or around 0.1% of GDP throughout the implementation of the Strategy, which is among the relatively smallest budgets in Europe and the region. In the later period of implementation of the Strategy, there was a weakening of coordination between MoLEVSA and NES, where MoLEVSA retained competence primarily over the annual ALMP planning process, but not over its implementation, renouncing in practice its control over the NES. Although this has so far not had a direct impact on the overall gross effects of ALMPs in recent years, it would be good for the MoLEVSA to be more actively involved in monitoring the implementation of ALMPs, without depriving the NES of the necessary operational flexibility.

In a very limited financial framework, it can be said that the funds were mostly spent rationally, but that their effects were necessarily modest, so that they only managed to preserve the groups they were intended for not to further worsen their relative position. Members of vulnerable groups always accounted for more than 90% of the beneficiaries of the measures, but this impressive result was easier to achieve given that they already accounted for at least about 80% of all unemployed, indicating another potential weakness to be avoided in preparing the next Strategy - non-selectivity in defining priority groups whose results are monitored as indicators of achievement. The planning, design and

redesign of ALMP measures should take place in accordance with the structure of the vulnerable groups they target and in accordance with the assessments of the net effectiveness of these measures, in order to ensure that the right people are included in the right measures. This includes a combination of information on the net effects of ALMP measures in total and by vulnerable groups, analytical efforts at the level of NEAP planning related to the dynamics and state of labor market indicators for each vulnerable group, as well as pairing the unemployed with the most appropriate measures through a standardized and individualized approach of creating and fulfilling an individual employment plan within the NES.

On the third, relatively modest but not marginal track, insufficient funds for the implementation of active labor market programs and for expanding their capacity to manage them, were compensated by technical and financial support of major international actors such as the European Union through its pan-European programs in which Serbia gained access, as well as large financial support programs for candidate countries. Other important international actors were the World Bank, the International Labor Organization, bilateral programs, among which GIZ and SDC stood out, but also many foreign and domestic non-governmental organizations and think tanks, which were involved more than before in working on this challenging field. This heterogeneous group of the "third track" was by nature far more flexible than government actors and through a growing number of pilot projects, evaluations, analyzes and advocacy activities, also contributed, directly and indirectly, to progress in meeting the Strategy's objectives.

Unfortunately, some institutional solutions that emerged during the implementation of the Strategy under the authority of the MoLEVSA, outside the immediate domain of managing active labor market programs, did not work towards dismantling the duality of the labor market and empowering vulnerable groups. Some inherited or revised solutions that we consider to be institutional obstacles to achieving the ultimate goals of the Strategy and social development in general include:

- systemic tendency to increase the gap between the maximum amount of FSA and the minimum wage (or some other indicator of the growth of living standards) due to the indexation of FSA exclusively by the cost of living index, which leads to reducing the already insufficient coverage of FSA;
- abolition of the minimum protective level of unemployment benefit and its linking to the cost of living index, which over time will tend to approach social assistance and completely lose its justified useful function of insurance in difficult times and minimum protection of unemployment standards;
- a debilitating, instead of empowering, interpretation of the activation of social assistance beneficiaries illustrated by the Activation Regulation from 2014, and sometimes a misunderstanding of integrated CSW and NES services as a twice as efficient cross-control function, instead of doubling efforts and resources for social and work inclusion
- introduction of non-selective penalties for early retirement, which especially affect persons with lower qualifications who were employed early.

At first glance, by applying a straightforward economic logic, these solutions penalize 'inaction' and encourage (forced) inclusion and staying in the labor market and therefore help achieve the quantitative goals of the Strategy. Although this is mechanically true, they can support the reproduction of inequality, pockets of social exclusion, precariousness and labor poverty in the long run, and strengthen, rather than reduce, the duality that remains a distinct feature of the Serbian labor market. In the conditions of intensified demographic decline that will mark the implementation of the



next Strategy, productive inclusion of all human resources based on their true empowerment, especially in the intergenerational perspective, should be seen as an essential and not a mechanical goal. Therefore, measures aimed at young people and children, especially children belonging to deeply vulnerable groups, whose share in the total child population will continue to grow in the next decade, should be understood as part of an inclusive employment policy and, more broadly, social investment.

Warning facts that confirm this refer to the fact that during the period of implementation of the Strategy, despite the constant growth of employment since 2013, the levels of income inequality and poverty risk monitored through SILC were at a very high level, mostly resistant to continuous incremental annual employment growth. There has been some decline in income inequality under the influence of fiscal consolidation, but that decline in inequality has hardly affected the poorest quarter of Serbia's population. The relative prosperity during the last years of the implementation of the Strategy has not been widely divided<sup>67</sup>, partly due to the retention or establishment of the above-mentioned institutional solutions.

These considerations may become particularly relevant in the event of the current health crisis continuation or if it gradually transforms into a generalized economic crisis, which would then be the environment in which the next Strategy is created and implemented. In that environment, solidarity and openness for innovative solutions in social policy and passive labor market policy will be necessary.

Regardless of the current crisis, the Strategy's reliance solely on achieving quantitative labor market indicators has shown weaknesses in neglecting the quality of employment, expressed as the share of good, secure and well-paid jobs in total employment, both in terms of the labor market as a whole and its different narrower segments. In short, it can be said that the quality of employment has mostly stagnated during this decade, while the quality of the labor force is improving somewhat faster. From the presented trends, it should be clear that the biggest challenge of economic and industrial policy will not be unemployment, as was the case in the past decade of implementation of the Strategy. Instead, issues of job quality, education system quality, scarcity of certain qualifications, the need for greater and more intensive participation of the working age population who are now out of the workforce or engaged in poor, low paid and low productive jobs in the workforce - will mark the next decade and will be the main challenges of employment policy and overall economic policy.

In this context, it is necessary to review the regulations and implementation of legal institutes that support the growth of precarious employment - employment contracts, temporary and occasional jobs, agency employment, vocational training and internships, through student or youth cooperatives, etc. Stronger inspections, changes in legal solutions and maximizing the number of flexible contracts are potential solutions that could reverse the current unfavorable growth trend in precariousness.

In addition, the future Strategy should monitor a number of structural indicators of wages and employment - the trend of average and median wages at the national and regional level, the trend of the wage fund at all territorial levels and the share of labor at the national level. It would be necessary to define their target dynamics. Employment and employment of vulnerable groups should also be monitored according to various structural features, such as the type of contract, employment for wages versus self-employment, length of working hours, etc.

These additional requirements would imply the need to develop the capacity of a comprehensive labor market information system, on one hand, and the development of analytical capacity within the triangle Statistical Office of the Republic of Serbia - MoLEVSA - NES. This would make it easier to

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<sup>67</sup> The World Bank has developed a conceptual framework for 'shared prosperity' with the aim of encouraging faster income growth of the 'lower 40%' worldwide.

monitor and compare national and European data and achievement goals. More generally, an important unfavorable process information on the implementation of the Strategy is the lack of a labor market information system that would at least allow MoLEVSA and NES to access the same and fully verified information in real time and to be able to analyze it together. This situation hindered this analysis in several cases, due to inconsistent and sometimes contradictory data that were successively submitted to us. In addition to harmonized data, it is necessary to create standardized report formats in order to enable monitoring of the implementation of the Strategy in the future. Scientific net evaluations of financial measures should be conducted regularly, with the help of external expertise. It should also move to Eurostat's methodology for monitoring ALMPs, which would allow for the correct allocation of costs and, consequently, the analysis of costs and effects that could be performed with the NES's own resources. This would provide an information-analytical basis for reviewing existing and creating new active programs - which is now partly done heuristically.

As perhaps the biggest challenge for the process of creating the future Strategy remains to conceptually prepare and then institutionally implement better integration of the three above-mentioned complementary dimensions of the National Employment Strategy - macroeconomic-structural, sectoral and project-innovative. The previous Strategy, in more favorable initial institutional conditions, had the ambition to integrate the sectoral understanding of employment policy into the economic policy as a whole. Nevertheless, the Strategy has remained essentially sectoral.

As shown in several places, the current capacity of the Labor and Employment Sector within the MoLEVSA dealing with ALMPs is hardly sufficient to guide the immediate sectoral aspect of the implementation of the Strategy. Its empowerment should be a priority, as well as strengthening its role in creating the already understood AEP. However, in order to position the Employment Strategy as a comprehensive cross-sectoral strategy, it is necessary for a high level of executive power to participate in its coordination, but ideally also the representatives of the wider society.

The Socio-Economic Council emerges as a uniquely well-positioned and sufficiently influential and flexible umbrella structure to manage and implement the future Strategy. It is composed of six representatives of the Government, trade unions and employers. Its six members representing the government - the prime minister and the ministers of labor, finance, economy, education and health - represent the core of the executive branch. Representatives of the social partners - the Union of Employers and two representative unions - have an important role in managing the Strategy, monitoring labor market flows, negotiating minimum wages, etc. At the same time, they represent a link to civil society and citizens as end users of the Strategy.

Removing obstacles to social dialogue and the need to strengthen it are constantly highlighted in the European Commission's annual progress reports on Serbia. This includes strengthening the capacity of the social partners, adjusting the legal framework for its implementation at different levels and increasing the administrative budget of the Socio-Economic Council. On the other hand, the already achieved high public profile of the SEC could contribute to the visibility of the Strategy, as well as the positioning of the Strategy within the SEC would give an additional impetus to the expansion of the significance and scope of its work. In that way, the strategy would partially gain the quality of a social pact. Cross-sectoral coordination of the Strategy could be carried out within the SEC through the coordinating activity of the Government part of the SEC (six above-mentioned ministers) and the strengthening of its expert bodies. Operational sectoral management and monitoring of the Strategy would remain the responsibility of the MoLEVSA.

Experience with the implementation of the current Strategy shows that the fulfillment of quantitative employment goals has been partially 'helped' by processes that do not have a positive sign - weakening

the quality of employment and demographic decline. The new Strategy should also set a set of macroeconomic goals that will be resistant to such criticism as a whole. This would mean supplementing the standard indicators with three new ones - the first, which would reflect the targeted improvement of employment characteristics in terms of employment quality, the second, which would identify the target absolute number of employees rather than the target employment rate, and the third, which would monitor the target average and medial wage in the country.

Full and quality employment will remain the key aspiration of our citizens, and unemployment the biggest socio-economic problem, the solution of which requires much more resources and coordinated effort than was the case during the implementation of the current Strategy.

## Annex

*Table A1 - Basic labor market indicators for young women (15-24)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Absolute numbers (in thousands)								
Total	396	377	357	386	375	367	359	353	347
Active	82	83	82	83	86	86	87	82	79
Employed	35	35	35	42	44	52	55	56	55
Unemployed	47	48	47	42	41	34	31	26	24
	%								
Activity rate	20.7%	22.0%	22.9%	21.5%	22.8%	23.5%	24.1%	23.3%	22.7%
Employment rate	8.9%	9.4%	9.8%	10.8%	11.8%	14.2%	15.4%	15.9%	15.9%
Unemployment rate	57.2%	57.4%	57.4%	49.9%	48.4%	39.4%	36.3%	32.0%	29.9%

Source: Eurostat

*Table A2 - Basic labor market indicators for young women (15-24) and women of working age (15-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
15 - 24 activity rates (%)	20.7	22.0	22.9	21.5	22.8	23.5	24.1	23.3	22.7
15 - 64 activity rate (%)	50.7	51.4	53.3	55.4	55.7	58.2	59.6	60.6	61.3
Ratio 15-64 / 15-24	2.45	2.34	2.32	2.58	2.44	2.48	2.47	2.60	2.70
15 - 24 employment rates (%)	8.9	9.4	9.8	10.8	11.8	14.2	15.4	15.9	15.9
15 - 64 employment rate (%)	38.3	38.2	40.2	43.8	45.0	48.5	50.8	52.0	54.3
Ratio 15-64 / 15-24	4.33	4.09	4.11	4.07	3.83	3.41	3.31	3.28	3.41
15 - 24 unemployment rate (%)	57.2	57.4	57.4	49.9	48.4	39.4	36.3	32.0	29.9
15 - 64 unemployment rate (%)	24.3	25.6	24.6	21.0	19.2	16.7	14.8	14.2	11.5
Ratio 15-64 / 15-24	2.35	2.24	2.34	2.38	2.52	2.36	2.46	2.26	2.59

Source: Author's calculations based on Eurostat data

*Table A3 - Basic labor market indicators for older women (50-64)*

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Absolute numbers								
Total	935	938	904	837	819	802	787	773	754
Active	332	336	358	346	340	368	379	381	393
Employed	280	280	305	302	300	335	347	345	366
Unemployed	52	57	53	44	39	33	31	36	28
	%								
Activity rate	35.5%	35.9%	39.6%	41.4%	41.4%	45.9%	48.1%	49.3%	52.1%
Employment rate	29.9%	29.8%	33.7%	36.1%	36.7%	41.7%	44.1%	44.7%	48.5%
Unemployment rate	15.6%	16.8%	14.8%	12.7%	11.5%	9.1%	8.3%	9.4%	7.0%

Source: Eurostat

Table A4 - Basic labor market indicators for older women (50-64) and women of working age (15-64)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
50 - 64 activity rate (%)	35.5	35.9	39.6	41.4	41.4	45.9	48.1	49.3	52.1
15 - 64 activity rate (%)	50.7	51.4	53.3	55.4	55.7	58.2	59.6	60.6	61.3
Ratio 15-64 / 15-24	1.43	1.43	1.35	1.34	1.34	1.27	1.24	1.23	1.18
50 - 64 employment rate (%)	29.9	29.8	33.7	36.1	36.7	41.7	44.1	44.7	48.5
15 - 64 employment rate (%)	38.3	38.2	40.2	43.8	45.0	48.5	50.8	52.0	54.3
Ratio 15-64 / 15-24	1.28	1.28	1.19	1.21	1.23	1.16	1.15	1.17	1.12
50 - 64 unemployment rate (%)	15.6	16.8	14.8	12.7	11.5	9.1	8.3	9.4	7.0
15 - 64 unemployment rate (%)	24.3	25.6	24.6	21.0	19.2	16.7	14.8	14.2	11.5
15-64 / 50-64 ratio	0.64	0.66	0.60	0.61	0.60	0.54	0.56	0.66	0.61

Source: Author's calculations based on Eurostat data

Table A5 - Gross effects of ALMP financial measures for women by years (in%), 2011-2019

Measure	2011	2012	2013	2014	2015	2016	2017	2018	2019
Functional primary education	4	3	3	4	3	4	5	12	3
Labor market training	22	17	20	20	28	35	41	30	26
Training at the request of the employer	66	72	57		86	74	77	85	78
Trainee program "First chance"	74								
Professional practice	44	44	50	47	48	48	53	51	35
Professional practice - practical knowledge and skills					52	49			
Trainee programs:									11
- Internship program for young people with higher education		44	57		59	57	76	89	67
- Trainee program for the unemployed with secondary education	87	79	80	97	87	91	94	95	73
Acquisition of practical knowledge	81	55	64	78	75	77	87	76	78
Subsidy for self-employment	70	73	76	89	75	83	85	93	50
Payment of a one-time cash benefit					80	95			
Subsidy for job creation / employment of hard-to-employ persons	49	31	25	50	47	39	34	34	59
Incentive for employment of cash benefit users	92	100	75	53	67	88	57	44	88

Wage subsidy for PWD without work experience	87	86	75	86	81	81	83	92	59
Reimbursement of appropriate workplace adjustment costs	83	90	88	0 <sup>68</sup>	75	100	100	100	63
Reimbursement of wage costs - Work assistance	31	62	27	0 <sup>69</sup>	80	50	100	93	60

Source: NES

Table A6 - Basic indicators of the youth labor market (15-29)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	Absolute numbers (in thousands)								
Total	1224	1189	1151	1259	1226	1196	1172	1151	1130
Active	531	542	519	581	568	565	558	554	531
Employed	306	313	304	365	373	397	409	419	417
Unemployed	225	229	215	216	196	168	149	136	114
	%								
Activity rate	43.4%	45.6%	45.1%	46.1%	46.3%	47.2%	47.6%	48.2%	47.0%
Employment rate	25.0%	26.3%	26.4%	29.0%	30.4%	33.2%	34.9%	36.4%	36.9%
Unemployment rate	42.4%	42.3%	41.5%	37.2%	34.4%	29.8%	26.7%	24.5%	21.5%

Source: Eurostat

Table A7 - Basic labor market indicators for young people (15-29) and the working age population (15-64)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Activity rate 15-29 (%)	43.4	45.6	45.1	46.1	46.3	47.2	47.6	48.2	47.0
Activity rate 15-64 (%)	59.5	60.3	61.7	63.4	63.7	65.6	66.7	67.8	68.1
Ratio 15-64 / 15-29	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Employment rate 15-29 (%)	25.0	26.3	26.4	29.0	30.4	33.2	34.9	36.4	36.9
Employment rate 15-64 (%)	45.4	45.4	47.6	50.8	52.1	55.2	57.3	58.8	60.7
Ratio 15-64 / 15-29	1.8	1.7	1.8	1.8	1.7	1.7	1.6	1.6	1.6
Unemployment rate 15-29 (%)	42.4	42.3	41.5	37.2	34.4	29.8	26.7	24.5	21.5
Unemployment rate 15-64 (%)	23.6	24.6	22.9	19.9	18.2	15.9	14.1	13.3	10.9
Ratio 15-29 / 15-64	1.8	1.7	1.8	1.9	1.9	1.9	1.9	1.8	2.0

Source: Author's calculations based on Eurostat data

<sup>68</sup>The number of persons in this measure was 1

<sup>69</sup> The number of persons in this measure was 5