

Serbia – Labour Market and Employment Strategy

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Conference: Lisbon Agenda for South
East Europe

Zagreb, May 7, 2008

Country Context

- Serbia is a poor (SE) European country
- Therefore, 2 complementary strategic pillars in early 2000s
 - EU Integration strategy (SAP process)
 - Poverty Reduction Strategy
 - Common or very similar objectives, include sustainable growth, prevention of new poverty and social inclusion
 - Later addition of National Employment Strategy (2005) and National Strategy of Economic Development (2006)

National Employment Strategy 2005-2010

- Inspired by European ES
- But, process of nationalization in order to adjust guidelines to labor market conditions in Serbia
- Reformulation of the first overarching goal of Lisbon Strategy – achieve sustainable employment growth and increase participation rate; EU quantitative targets out of reach

NES Serbia vs EES

- EES – labor supply oriented, NES – both demand and supply oriented (stand-alone)
- NES – 2 more core guidelines – attracting foreign direct investments and achieving social pact; also emphasis on reducing regional LM inequality
- Guidelines structured around 3 overarching goals (somewhat arbitrary nature of matching goals and guidelines, for the sake of exposition)

NES Guidelines Content 1

- Toward sustainable employment growth
 1. Attracting FDIs
 2. Supporting entrepreneurship and conditions for business start-up
 3. Financial incentives to make work pay
 4. Job search assistance, prevention of LTU and increased LF participation rates
 5. Promoting adaptability of workers and firms for change
 6. Supporting professional and spatial mobility
 7. Supporting active ageing

NES Guidelines 2

Goal 2: Toward improved quality and productivity of work

8. Securing more and better quality human capital investment

- Handle emerging skills gap; speed up educational reform

9. Integrating informal into formal sector

- Provide tax and credit incentives; make informality more costly for employers and employees

10. Securing health and safety at work

- Enact standards and improve labor inspection

NES Guidelines 3

Goal 3: Toward more cohesive labor market

11. Achieving national social pact and building coalitions for employment at all levels
12. Reducing regional labor market disparities
13. Supporting gender equality (esp. in pay and hiring)
14. Fighting discrimination against vulnerable groups (incl. persons with disabilities, refugees, ethnic minorities, esp. Roma)

Background Regional Study 1

- Main assumption – without intervention, wider labor market and hence greater general inequalities on a usual pattern – Belgrade front runner, Vojvodina second, Central Serbia, esp. Southern and Eastern regions heavily lagging behind
- Analysis covers 25 counties (without Kosovo)
- Purpose: to rank regions according to relative labor market risks

Background Regional Study 2

- Indicators used
 - Socioeconomic status (1. unemployment rate, 2. wages per employed, 3. GNP per capita)
 - Speed or restructuring (4. change of share of employed in social sector in total employment, 5. share of employed in social sector in total employment, 6. FDI pc)
 - Diversification of economic structure (7. share of 3 main branches in total regional GDP)
 - Labor force quality (8. composite index - share of persons with higher education and share of persons with less than primary education in total labor force)

BRS Tentative Results

- ‘Low risk’ regions – Belgrade, Juznobacki, Srednjebanatski, Severnobacki, Branicevski, Sremski, Zapadnobacki, Pomoravski
- ‘Moderate risk’ regions – Juznobanatski, Nisavski, Severnobanatski, Sumadijski, Kolubarski, Rasinski, Moravicki, Podunavski, Raski, Zlatiborski
- ‘High risk’ regions (‘worst is first’) – Toplicki, Jablanicki, Pirotski, Macvanski, Zajecarski, Pcinjski, Borski

How to use BRS 1

- Informs policymakers (duty bearers) on the present and potential troubled areas – not only regions as a whole, but also specific aspects relevant for regional labor markets (e.g. mono-industrial structure, low FDIs, low human capital etc.)
- Informs international actors and donor community on the possible intervention priorities
- Informs foreign investors on the regional characteristics and comparative advantages

How to use BRS 2

- As the basis for SWOT analysis – involve local actors in critically assessing the data and engaging into qualitative analysis of strong and weak characteristics of the regions
- As a template for replication exercises at local, particularly municipal, levels
- As an incentive to develop local coalitions for employment, to include local authorities, trade unions, employers, educational institutions, employment services, NGOs, including those representing vulnerable groups

LABOR MARKET IN SERBIA

Situation analysis and challenges

Labor market situation

- ❑ Wage pressures largely result of:
 - Increased fiscal revenues in public sector
 - Increased labor productivity in new and restructured private sector
- ❑ Less people employed in 2007 than in 1989!
- ❑ Hence, wages have reached 1989 levels, but not the household incomes!
- ❑ Alternative strategies for improving living standard:
 - Increase wages
 - Create more jobs!

LFS – October 2007

	Working age popul. (15+)	Population 15-64
Total	6.357.000	4.908.000
Inactive	3.115.000	1.798.000
Employed	2.656.000	2.526.000
Unemployed	585.000	584.000

LFS indicators for population 15-64

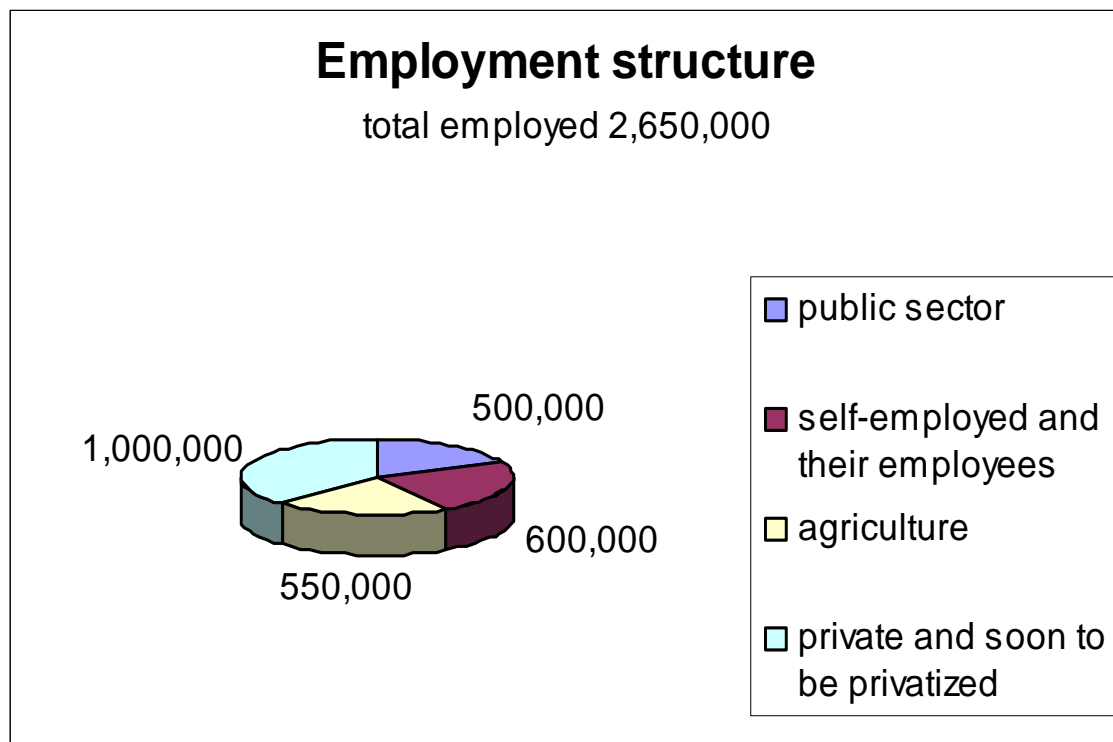
	2006	2007
Activity rate	63.6	63.4
Employment rate	49.8	51.5
Unemployment rate	21.6	18.8
Inactivity rate	36.4	36.6

Major challenges beyond the data:

Not all jobs are good!

Not all jobs have potential for growth!

- Private sector – narrow base for employment growth
- Downsizing not yet completed
- Rapid growth of the de novo firms needed!



Requirements for more dynamic growth in private sector wage employment:

- ✓ More FDI
- ✓ More local investments
- ✓ Comprehensive employment policy
- ✓ Political stability