

**SERBIA**

**DECENT WORK COUNTRY PROGRAMME**

**2008 – 2011**

**Introduction**

The primary goal of the ILO is to promote opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity. Decent Work Country Programmes (DWCPs) assign priority to decent work as key to achieve economic and social progress in ILO member States. They outline country priorities and outcomes that are identified and agreed upon together with ILO's constituents. The DWCPs describe operational strategies to be jointly implemented during a defined period of time by governments, the social partners and the ILO with a view to achieving national and international development goals that have an impact on the promotion of decent and productive work.

The DWCP of the Republic of Serbia identifies strategic priorities and outcomes to be achieved during the period 2008-2010 through joint action of the government of Serbia and the social partners on the one hand, and the ILO on the other. Its overall objective is to promote decent work through a coherent policy approach that is made operational by a set of priorities and outcomes. The latter are intertwined with the goals and targets set out by national development strategies – such as the *Poverty Reduction Strategy*, the *National Programme for Integration with the European Union*, the *National Strategy for Economic Development (2006-2012)* and the *National Sustainable Development Strategy (2008-2013)* – and by commitments arising from international and regional development agendas, including the ratification of international labour standards, the UN Millennium Declaration and the Stabilization and Association Agreement with the European Union. The DWCP is also linked with major priorities identified by development assistance programmes, including the United Nations Development Assistance Framework (UNDAF).

**I. The current situation from a Decent Work perspective**

***1. The socio-economic context***

Since 2001, the Republic of Serbia has undergone major economic and political changes to catch-up with a late start of its transition to a market economy. These changes revolve around the reform of the institutional framework, the privatization of productive and financial assets, the liberalization of the trade regime and the improvement of the business environment, as well as the development of a new system of industrial relations, social security, and employment and social policies.

In January 2001, the Serbian government launched a major economic reform programme to accelerate the transition to a market economy. This Programme contributed to reversing the trend of decreasing industrial activity and plummeting gross domestic product that characterized the previous decade.<sup>1</sup> The implementation of the main pillars of this reform has been instrumental in achieving macroeconomic stability, liberalizing domestic prices

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<sup>1</sup> In 2001, the per capita income was USD1,574. During the first half of the 1990s industrial activity fell by 50 percent and per capita GDP plummeted to the 1969 level (i.e. USD1,270). Since the mid-1990s output growth has been increasing, with the exception of 1999 when GDP fell by 18 percentage points.

and exchange rates, restructuring the banking system, privatizing state- and socially-owned enterprises and improving the overall business regulatory framework.<sup>2</sup>

Economic activity, measured by real gross domestic product (GDP), grew between 2001 and 2007 at an average annual rate of 5.7 per cent. Per capita GDP is forecasted to reach US\$6,500 by the end of 2008.<sup>3</sup> This robust economic growth led to an expansion of the service sector, increase of domestic demand and export, as well as to the booming of foreign direct investments. It also had an impact on the reduction of poverty that declined from 14 percent in 2002 to 6.6 percent in 2007.<sup>4</sup>

## **2. Employment**

Employment remains a pressing challenge in Serbia. Economic growth, macroeconomic stability and the notable increase of the private sector share of GDP have not been enough to compensate for the losses of employment resulting from economic restructuring and massive lay-offs during transition. Increasing numbers of redundant workers coupled with a large stock of unemployed persons and high incidence of labour market entrants resorted into growth of informal employment, unemployment and inactivity. Box 1 below gives some highlights of the key indicators of the labour market of Serbia.

The number of employed persons has been decreasing over the past five years. Between 2004 and 2006, the level of employment decreased by 300,000 jobs. In 2007, the employment-to-population ratio was 51.5 per cent (60 per cent for men and 43 per cent for women). More than half of the employed are working in the service sector, approximately 30 per cent in manufacture and 20 per cent in agriculture. Part-time employment increased from one per cent of total employment in 2002 to 7.1 per cent in 2006 and temporary employment increased its share of total employment from 5 per cent in 2002 to 13 per cent in 2006. Such developments were mainly determined by the changes introduced in the labour law in 2001.

A significant share of total employment in Serbia is in the informal economy. According to the 2007 Living Standards Measurement Survey, informal employment represents more than one-third of total employment. The informal economy has been increasingly absorbing unqualified and unskilled labour, since as many as 53 per cent of informal workers have primary education, about 39 per cent have secondary education and about 8 per cent have tertiary education.<sup>5</sup> The most common activities consist of subsistence farming and self-employment in trade and other services.

Data on employment disaggregated by national origin or by refugee and internally displaced status is largely unavailable in Serbia. However, a number of ad hoc surveys suggest that the employment rates of Roma and internally displaced persons (IDPs) are between 5 and 10 per cent lower than the average rates of overall employment.<sup>6</sup> Workers belonging to these population groups are also more likely to be engaged in subsistence activities, including through work in the informal economy.

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<sup>2</sup> World Bank, *Serbia: Labor market assessment*, Washington D.C., 2006.

<sup>3</sup> IMF estimate for the end of 2008

<sup>4</sup> RSO, Living Standard Measurements Survey: Serbia 2002-2007, Belgrade 2008.

<sup>5</sup> Living Standards Measurement Survey, chapter 9 "Employment status" Belgrade, 2008. The LSMS 2007 used the same definition of informal employment used in 2002 and 2003.

<sup>6</sup> A regional survey conducted by UNDP in 2004 found that the employment prospects of Roma and internally displaced persons (IDPs) are bleaker than those of persons in general living in proximity to communities of Roma and IDPs. The UNDP dataset from these surveys is available online at <http://vulnerability.undp.sk>

In 2007, workers with disabilities had an employment rate of only 21 per cent.<sup>7</sup> The National Employment Service (NES) reports that more than 22,500 workers with disabilities are currently in the unemployment register. During the same year, approximately two per cent of them got employment through mediation services and employment programmes of the labour offices. Sheltered enterprises employed approximately 1,900 workers with disabilities.<sup>8</sup>

Open unemployment remains high, with an overall rate of 18.8 per cent of the labour force in the first quarter of 2008,<sup>9</sup> although it has rather decreased over the past two years (in 2005, it was 22 per cent). The incidence of unemployment is higher for women than for men (21.7 and 16.5 per cent, respectively). In 2007, the youth unemployment rate peaked at nearly 48 per cent (43.1 per cent for young men and 55.5 per cent for young women).

Inactivity is particularly high among women (see Box 1 below). In 2005, the main determinant of inactivity among adult women was personal or family reasons (41 per cent) and other reasons (40 per cent), while personal or family reasons were the most important determinant of inactivity among young women (68 per cent).

Educational attainment is a strong determinant of both labour market status and poverty risk. Individuals with no education or uncompleted primary education have the largest poverty index (18.7 per cent in 2007), experience higher inactivity and unemployment rates as well as lower employment rates.

Regional disparities in Serbia are amongst the largest in Europe and they have been increasing over the last few years. The ratio of the most developed and the least developed municipalities equalled 1:15.<sup>10</sup> The poverty index in 2007 ranged from 3 per cent in the urban area of Belgrade up to 18.7 per cent in the rural areas of South-East Serbia. In 2006, the registered unemployment rate in the main Districts of South-Serbia was 45 per cent in the Jablanica District and 43.6 per cent in the Pčinja District, compared to a registered unemployment rate for Serbia of 31.1 per cent. For both Districts the employment rate was approximately 10 percentage points lower than national average.

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<sup>7</sup> Center for development of inclusive society 2007, downloadable at [www.crid.org.yu](http://www.crid.org.yu). Lerentveilt, Rauschenbach, Tatic Feasibility study of reform of employment of Persons with Disabilities in Serbia, reports an employment rate for workers with disabilities of only 13.4%.

<sup>8</sup> Ministry of Economy and Regional Development, Employment Department data (August 2008).

<sup>9</sup> Republic Statistical Office (RSO), Labour Force Survey, April 2008, Belgrade, downloadable at <http://webrzs.statserb.sr.gov.yu>.

<sup>10</sup> Government of Serbia, *National Economic Development Strategy (2006-2012)*, Belgrade 2007. See also Statistical Office of Serbia, *Living Standards Measurement Study*, Belgrade 2008. The index of development problems is a composite index comprising demographic, economic, educational, infrastructural and environmental indicators.

## Box 1:

### Key labour market indicators

- In 2007, the labour force participation rate of Serbia was 63.4% (women 54.9 – men 71.9 per cent). Youth labour force participation rate is almost half that of adults. In 2007, it was 33.3 per cent (38.1 per cent for young men and 27.9 per cent for young women)
- Despite the strong economic growth experienced over the past years, employment growth continued to be negative throughout the period 2000-2006. The employment rate declined from 53.4 per cent in 2004 to 51.5 per cent in 2007. In the same year, the youth employment rate of 18.1 (14.4 per cent for young women versus 22.6 per cent for young men) was one of the lowest among South-East European countries.
- A significant share of total employment in Serbia is in the informal economy. According to the Living Standards Measurement Survey (LSMS), informal employment accounted for 35 percent of total employment and for half of youth employment in 2007.
- More than one third of young workers are engaged in precarious work. In 2007, the share of young workers holding a temporary job was almost three times higher than that of all-age workers (38 and 14 per cent, respectively).
- In 2007, the unemployment rate (standard) was 18.8%, with women unemployment rate more than five percentage points higher than men's. Youth unemployment as measured by the ILO's data reached 43.7 per cent in 2007 (40.7 per cent for young men and 48.3 for young women). Unemployment is predominantly long-term, with 80 percent of the unemployed looking for a job for one year or more.
- Households headed by an unemployed person face a higher risk of being poor. However, the largest portion of the poor in Serbia (67.6 per cent) live in households where at least one member is employed. Given the average size of households, only one source of income is not enough to keep a family out of poverty.
- Women's inactivity rate is appreciably higher than that of their male counterparts (45.1 and 28.1 per cent, respectively).

Source: ILO, *Analysis of the youth labour market in Serbia, 2008* (forthcoming).

### 3. *Social Dialogue*

The status and recognition of employers' and workers' organizations has been hindered by a volatile political and economic environment, affecting disadvantageously their roles in (supposedly tripartite) decision-making about the key measures of structural reforms. The Government has recently renewed its dialogue with the social partners through a reinforcement of the Social-Economic Council (SEC), establishing a social partner expert group that is to advise the Government on how to enhance Serbia's regional competitiveness from the point of view of employers and workers. Despite this recent refocus on revitalising the SEC, both the trade unions and the Serbian Employers' Association (SEA) have underlined the need for direct support and capacity building of the SEC to enable the latter to play its role of an effective forum for tripartite deliberations on the country's most pressing challenges such as youth employment promotion, poverty alleviation and addressing the problem of undeclared work.

In conjunction with the need to ensure the SEC at national level operates effectively, there is also a need to support regional / local tripartite dialogue through the establishment of "lower level" SECs. Given the wide disparity between different geographic regions in Serbia noted earlier, input from local representatives of employers and workers needs to be given to enable regional and district authorities to develop and implement specific

measures to assist the economic and social growth of their areas. This will require support in particular for the SEA to enable it to establish representation in a greater number of regions.

Given the past lack of recognition of the positive role that can be played by Organisations of Workers and Employers at the national policy-setting level, a vicious circle has developed. Because there has been an ineffective SEC with limited opportunity for input as well as limited acceptance of the views of the Employers' Organisation and Trade Unions, it is difficult for them to display their relevance and attract members. Without a strong and widespread membership base, the voice of Social Partner Organisations continues to be discounted by Government as not being widely representative and thus not relevant. To break this circle not only will there need to be more recognition given to the Social Partners' views at the SEC but also they will need to develop new and better services to attract and retain members – with a particular focus on issues relating to women's participation in all areas of the labour market and its institutions and organisations. In this regard the Social Partners called for a long-lasting and balanced approach of the ILO to all constituents in Serbia.

Effective collective bargaining in Serbia has been limited in recent years. Branch / sectoral representation is not strong in Serbia – particularly on the part of employers. In common with other countries of the sub-region, the labour law does not provide sufficient flexibility to allow much scope for meaningful collective bargaining. The national general collective agreement, signed in April 2008 just prior to the national elections, contains a number of clauses that are proving to be problematic for the Government to implement. Further, the clause that potentially binds those employers who are members of SEA has the unintended consequence of forcing employers to actually leave that Organisation. The recently extended General Collective Agreement shows that the social partners reached a consensus on the issue. As of 1<sup>st</sup> January 2009 this agreement will cover all the enterprises, thus, the process of employers leaving the SEA will most probably stop.

The issues like this needs to be addressed both through the proper functioning of the SEC and through focused support to build the capacity of both worker and employer representatives at branch / industry level. The EU social dialogue mechanisms are structured on a sectoral approach and to play a role at a broader international level, this area must be addressed more systematically in Serbia and Social Partners encouraged to participate more actively in social dialogue at this level.

In its attempt to promote industrial peace and decrease the number of collective and individual labour disputes at the work place the Government established an Agency for the Peaceful Settlement of Labour Disputes in 2005 (hereafter “the Agency”). A team of conciliators and mediators was recruited in 2005 and started providing conciliation and mediation services to employers and workers and their organisations. However, they are working without sufficient training in modern techniques and procedures of conciliation and mediation and need an upgrading of their skills in this field as well as on industrial relations in general. At the same time, and contrary to comparative practice, social partners are not involved in the management board of the Agency. As a result, the latter is being deprived of the useful contribution social partners, as its main clients, can make to shape the Agency's policy on the promotion of industrial peace at the work place and sound labour relations between workers and employers.

The labour law sector of the Ministry of Labour is in need of refresher trainings and exposure to comparative experiences of the countries of the region, in order to speed up the ratification of key ILO conventions and increase the number of peacefully resolved labour disputes.

#### **4. Social protection**

##### *Social Security*

Reforming social security system is a still unfinished agenda in Serbia. A first step has been taken by merging three pension funds (for the employees, the self-employed and the farmers) into a single scheme since January 2008. However, Serbia is facing a complex challenge in determining the right direction of the future course of social security system.

The Serbian pension scheme has already achieved a matured population structure. There are only 2 million employed as opposed to nearly 1.6 million pensioners<sup>11</sup>, which implies that only 1.25 contributors are supporting one pensioner. The relatively large number of pensioners is due to the pensioners who have short contribution periods but managed to be eligible for pensions and certain categories workers who have higher pension rates at earlier retirement age. In addition, an increasing number of workers retire early on grounds of disability for work.

The pension scheme in Serbia is heavily subsidized by the general budget. The contributions from workers and employers cover only two-thirds of the total expenditure and the remaining one-third is financed by the transfer from the general budget. In the context of a rapidly ageing population, the present pension scheme involves a potential problem with its long-term sustainability.

Compliance with the social security legislation needs to be enhanced. Under-reporting of the contributory wages is wide spread. There is a lack of coordination between social security organizations and tax authority which is responsible for the collection of social security contributions. Weak coordination between the former three funds is another major problem in social security in Serbia. For efficient services, there is a need to establish a unified data-base of members' records.

Amendments of the Pension System Act have been one of the major political issues. There is a discussion to increase the pension level from the current level of 60% of average wage to 70%. Another issue concerns the method of adjustment of pensions. Since 2005, the pension indexation is gradually shifted from the wage index to the price index, but there is a discussion to move back to the wage indexation. These political debates are related to political promises made during the general election without identifying how to secure the additionally required financial resources.

Further to these amendments of the current Law, there is a plan to develop a new Law on Pension System in 2009. A working group will be established to develop the draft policy and strategy.

##### *Labour Inspection, Occupational Safety and Health*

Labour inspection is an indispensable instrument for promoting decent work and ensuring labour standards at the workplace. In Serbia, a rapid process of transition to a market economy has resulted in a worsening of the working environment and conditions of work. The labor inspectorate in Serbia is facing a challenge to adjust the system to new conditions under a market economy.

With a view to increase compliance with labour and occupational safety and health laws through better cooperation of relevant Ministries and agencies and the social partners, the ILO implemented a major project "Developing a Serbian Labour Inspectorate for the 21st

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<sup>11</sup> UNCT Country Analysis 2008

Century” from 2003 to 2005. As a result of a large-scale training programme of inspection services, labour inspectors are now taking a more integrated approach to inspection focusing on prevention, making strategic plans for inspection visits, and involving more employers and workers. Continuous efforts are needed to sustain these improvements and to provide more effective and efficient services to employers and workers.

Promotion of safe and healthy workplaces is a global agenda and Serbia is not an exception. In the past decade, there has been a decreasing trend of occupational diseases, but the number of work accidents has remained at almost the same level. The total number of recorded occupational accidents in 2005 was 21,900, of which 966 were serious accidents and 38 were fatal. It should be noted that these are only reported cases thus they probably account for only a fraction of actual cases.

The OSH Law which was adopted in November 2005 provides a legal framework for the development of an OSH System compatible with relevant ILO International Labour Standards and European Union Directives, as well as the practice of industrialized market economies. However, problems have been noted with the implementation of the legislation and enforcement capacity of the labour inspectorate.

For the full application of the OSH legislation, the Ministry of Labour and Social Policy has developed an OSH Strategy for 2008-2012, with twelve strategic objectives. The Strategy is in the final process of the endorsement by the Parliament and the Social and Economic Council.

ILO’s tripartite constituents have recognized the importance of the creation of a safety and health culture through awareness raising and capacity building. Serbia is in the process of ratification of the Convention 187 on Promotional Framework on OSH.

## **5. National development framework and strategies**

In May 2008, the government adopted the *National Sustainable Development Strategy (NSDS)* of Serbia, which is a comprehensive framework for addressing the main areas of economic and social development of Serbia. The NSDS outlines the following key national priorities: i) membership with the European Union,<sup>12</sup> ii) development of competitive market economy and balanced economic growth, iii) development of human resources, increased employment and social inclusion, iv) development of infrastructure and balanced regional development and v) protection and improvement of environment and the rational use of natural resources. It complements the priorities set out by: i) the *Poverty Reduction strategy (PRS)*, which is centred around economic growth and job creation objectives; ii) the *National Strategy for Economic Development (2006-2012)* geared to increase the competitiveness of the Serbian economy and to align economic development with social equity objectives; iii) the *National Employment Strategy* that aims to achieve full employment, improve quality and productivity of labour and strength social and territorial cohesion; and iv) the *Strategy for Regional Development (2007-2012)* that seeks to redress regional development disparities and develop human capital through knowledge and skills.

## **II. Lessons learned from previous cooperation**

The ILO has been assisting Serbia’s constituents since 2001. The early activities focused on the strengthening of the capacity of social partners, increasing the effectiveness of labour inspection, reporting procedures on international labour standards and employment

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<sup>12</sup> In July 2008, the government of Serbia has signed the Stabilization and Association Agreement with the European Commission.

promotion. In 2005, the Government of Serbia reviewed, in the framework of the “Bucharest Process” its employment policy. Such a review was used to strengthen labour market institutions and to make employment and labour market policies more coherent and effective within the framework of an integrated policy approach.

The compiling of this Decent Work Country Programme is the first joint programming exercise between the ILO and the Serbian constituents and represents a step forward in improving cooperation between the ILO and its Serbian constituents.

Since 2007, the ILO has been providing technical assistance to the Ministry of Labour, Employment and Social Affairs – now Employment Department of the Ministry of Economy and Regional Development– for the development of a comprehensive youth employment policy and national action plan to be embedded into the National Development Plans and the Employment Strategy. This assistance comprises the strengthening of the capacity of labour market institutions to detect labour market problems of young people and devise appropriate responses to improve youth employment prospects. The ILO is also providing assistance to the Employment Department in crafting an active policy on employment.

In the area of social protection, the ILO has been supporting social partners to play a key role in the management of the social security system. The ILO also carried out a series of training programmes of labour inspectors to conduct more effective inspections.

The main lessons learnt during ILO’s assistance to Serbia can be summarized as follows:

- The formulation and implementation of an active policy on employment is of the essence to address the employment challenge in Serbia. It is equally important that employment policy objectives be part of national development frameworks.
- Policies aimed at improving employment prospects of youth should have a wider scope, while programmes need to be targeted to those who are more disadvantaged in the labour market, especially youth with low educational and training levels and young people living in rural areas.
- The social partners play a key role in the formulation and implementation of employment measures, especially those targeting disadvantaged groups.
- ILO’s tripartite constituents have recognized that the a well-informed and participatory policy dialogue is important in ensuring a good governance of social security scheme and lays the foundations for democratic process in the policy making. Particular mention must be made to the fact that the Pension and Disability Insurance Fund has established a public relation section as a result of the intervention supported by the ILO. It is important to recognize the long-term nature of social protection and labour protection. Continuous commitment and efforts by all the stakeholders are key to the success of the ILO assistance.
- Both the trade unions and Serbian Employers’ Association have underlined the need for direct support and capacity building of the SEC to enable the latter to play its role of an effective forum for tripartite deliberations on the country’s most pressing challenges such as youth employment promotion, poverty alleviation and addressing the problem of undeclared work.

- The social partners called for continued support on collective bargaining in Serbia, as it has been scarce in the recent years and the only general collective agreement has been signed.

### **III. Priority areas of cooperation**

Most of Serbia's national priorities are reflected in the DWCP, especially in the priorities and outcomes that have an impact on the promotion of employment and social inclusion. The ILO strategy to implement the DWCP also is based on the strengthening of institutional capacity through human resources development.. The DWCP was developed in parallel with the UNDAF programming of the UNCT Serbia for 2009-2010 so that there is a clear link between the key directions of UNDAF and the planned outcomes of the DWCP.

The current DWCP also supports the integration of Serbia in regional organizations (e.g. the European Union) and in the achievement of goals set out by international agendas (e.g. the Millennium Declaration). Many of its outcomes are in line with the UNDAF, the World Bank Country Assistance Strategy and the European Stabilisation and Association Agreement (EU-SAA). The Programme supports the country in fulfilling its obligations under the EU-SAA related to the European Employment Strategy, free movement of workers, fundamental rights at work, decent working conditions, equal opportunities and regional cooperation.

The above-mentioned objectives will be achieved through the implementation of the sectoral and cross-cutting strategies adopted by the Republic of Serbia (*Poverty Reduction Strategy National Sustainable Development Strategy, Employment Strategy, Regional Development Strategy*). This approach seeks to ensure coherence of policy advice provided by international organizations and, at the same time, to provide support and technical assistance in the areas that have been identified as priority by the constituents.

Within the overarching Decent Work paradigm the ILO will focus on the following three priorities for the period 2008-2011:

I. Strengthening the capacity of government institutions and the social partners to improve the governance of the labour market.

II. Improving the formulation and implementation of employment policy as well as of measures targeting disadvantaged youth.

III. Improving the effectiveness of the social protection system with a special focus on vulnerable groups.

The ILO has a comparative advantage in developing programmes, plans and in delivering technical cooperation programmes that aim to attain the above-mentioned goals. More specifically, the ILO's Secretariat has a long-standing experience and technical expertise in the areas of labour standards, employment promotion, social protection and social dialogue. The latter has implemented a number of projects in Central and Eastern Europe to the full satisfaction of donors and recipient countries.

#### **Priority 1: Strengthening the capacity of government institutions and the social partners to improve the governance of the labour market**

The governance system needs to be strengthened because the deficiencies in social dialogue are impacting negatively on the quality and sustainability of economic reforms and jeopardising stability in the country. The specific needs are to improve the quality of the reform strategies and move closer to the EU social model of which social dialogue represents an important feature. The need for stronger institutions is crosscutting all the

priorities of the EU-SAA and the NSDS. The capacity building interventions of the ILO will target the SEC, the Ministry of Economy, Ministry of Labour and the social partners.

**Outcome 1: Improved functioning of the Social and Economic Council with a wider mandate to incorporate social and economic issues. (SRB101)**

The Social-Economic Council (SEC) was created in August 2001 on the basis of a tripartite agreement signed by the government and the leaders of workers' and employers' associations, but due to the lack of experience of tripartite actors in Serbia in the field of social dialogue, it did not function well and met only a few times with no concrete outcomes, so the ILO assistance has been requested several times. Therefore the ILO had to develop activities to address the current gaps in the functioning of the SEC, as well as to overcome the obstacles that are preventing the bipartite social dialogue from functioning effectively for the benefit of both sides of industry.

A comprehensive technical assistance is provided to the SEC to improve its functioning and enhance its authority, through training of its members on social dialogue procedures and strategies/exposure to innovative social dialogue practices in EU countries; and the strengthening of its secretariat (training of its staff).

**Outcome indicator**

SEC works more effectively: it meets more regularly; it addresses a broader range of issues such as youth employment, poverty, informal economy, etc.

The secretariat provides a better support to the members and executive organs of the SEC (relevant information for their deliberations; follow up on their deliberations).

**Outcome 2: Efficient labour administration, including the establishment of an effective dispute settlement mechanism. (SRB102):**

Increasing flexibility of the labour market, as one of the priorities of the NSDS, requires effective and efficient labour administration institutions, including labour disputes mechanisms.

Genuine Labour Administration reform calls for tripartite institutions able to tackle issues of mutual concern for the tripartite actors on the labour market. Despite the progress made, the absence of the Social Partners in the composition of the management board of major labour institutions, i.e. the Agency for the Peaceful Settlement of Labour Disputes, has deprived these bodies of benefiting from the expertise and practical knowledge of the world of work the Social partners can bring in.

As the informal economy has been increasing and affecting large groups of disadvantaged workers, labour administration system, in general, and labour inspection in particular has to be reformed in order to reach out the concerned categories.

The ILO will support the country's efforts to reform its labour administration.

A tripartite seminar will be organized to promote the ratification of the Convention 150 on labour administration by providing good practices from EU member states.

The technical assistance provided by the ILO will contribute to strengthening the Agency for the Peaceful Settlement of Labour Disputes through:

- technical advice to its management on the formulation of a policy of prevention of labour disputes
- training of the team of mediators/arbitrators on modern techniques of settlement of LDS
- participation of a tripartite delegation in the regional conference on LDS targeting the countries of Western Balkans and Moldova.

Training of EOs on dispute resolution at enterprise level.

**Outcome indicator:**

- Convention 150 is ratified and its main provisions are applied.
- The number of disputes settled amicably by the agency increases as compared to previous years.
- SEA receives and disseminates reports of numbers of disputes resolved at enterprise level.

**Outcome 3: Increased value of employers and workers organizations to existing and potential membership through the provision of new or better services (SRB103):**

Based on the historical development of social dialogue in Serbia the constituents gave priority to the development of national tripartite social dialogue. Therefore, less attention was devoted to the development of a strong system of bipartite social dialogue. As a result of this choice, bipartite social dialogue is not functioning, in either the private or the public sector. As a result of this choice the bipartite social dialogue there are several obstacles to its proper functioning both in the private and in the public sector. This is illustrated by the low number of collective agreements at branch and local levels, as well as the low coverage of workers by collective agreements. There seem to be many reasons for the weakness of bipartite social dialogue, among which we can mention the following: absence of employers' structures at branch level, lack of assistance and institutional support by the government, the absence of appropriate conditions for collective bargaining and the need for regrouping of trade unions within the confederations and at the national level.

To overcome the obstacles which are preventing the bipartite social dialogue from functioning effectively for the benefit of both partners the ILO will strengthen sectoral social dialogue, including support for regrouping of the trade union branch structures within the confederations at the national level in the given branch, training on effective negotiation for trade unions and building the capacity of employers' organisations to become more valuable to their members. The support will involve training seminars, technical assistance and workshops.

As a follow-up to previous work and in order to reinforce and empower trade union women the ILO will carry out training of trainers enabling women to effectively participate in bargaining processes and mainstreaming gender in collective agreements.

Strengthening employers' organisations will on one hand support building membership and providing services to its members and on the other hand the capacity building will target developing expertise on particular issues of relevance and concern.

**Outcome indicator:**

More branch and local collective agreements signed; agreements integrate gender equality issues; larger number of workers covered.

Services start being developed for members which will lead to increased membership of EOS.

Submission on draft legislation developed and presented to Government.

UPS's position relayed to members via reports to them and to the media.

Guidelines on new legislation developed and disseminated to members plus available on website.

Number of training and briefings on new laws reported to Board and members and via media releases and on web site.

**Priority 2: Improving the formulation and implementation of employment policy as well as of measures targeting disadvantaged youth.**

The Government of Serbia is in the process of implementing the policy and institutional changes that are envisaged by the national development strategies in order to adjust the institutional framework as well as to adapt to a changing labour market and a new system of industrial relations. Although the national employment strategy contains several elements of an active policy on employment, its objectives have few links with other economic and social policies.

The priority of the government of Serbia remains the achievement of the twin objective of economic development and employment creation. The ILO will provide technical assistance to improve relevance and impact of employment policy through the formulation and implementation of an active policy on employment. This work entails a thorough review of the main elements of employment policy and, in parallel, a re-organization of the institutions deputed to its design, monitoring and evaluation. These elements include: i) regulation and functioning of the Public Employment Service; ii) regulation and monitoring of Private Employment Agencies; iii) active labour market policies; iv) unemployment insurance; v) measures to promote employment of persons with disabilities, vi) development of youth employment policy and national action plans on employment and youth employment, vii) development of migration management policy, including through legislation concerning employment of aliens and employment of citizens abroad.

The strategy for the implementation of the above-mentioned priority is based on both institutional development and direct assistance components that involve the government and the social partners in the design, monitoring and evaluation of employment policy. The implementation mechanisms will follow a two-pronged approach that involves the policy and institutional development aspects at central level, and the decentralization of employment policy implementation at local levels. Implementation arrangements involve a wide array of both national and international partners. The national partners consist of several line Ministries, Agencies and local authorities (mainly under the lead the MERD, National Employment Service and MLSP). Partnerships with government institutions and the social partners of other countries that have been established in the framework of the regional cooperation on employment policies for countries of South-East Europe will be further strengthened during the period 2008-2011. In parallel, partnerships with other UN Agencies, the European Commission and other multi-bilateral institutions will be further pursued during the implementation of the DWCP. These institutional arrangements and partnerships will foster policy coherence and coordination in the realm of employment and other economic and social policies. They will also be instrumental to mobilize additional human and financial resources that may be required to achieve the outcomes of the employment policy priority of the DWCP.

**Outcome 1: A gender-sensitive active policy on employment, including provisions for adequate income support during unemployment, is adopted and implemented at national and regional levels. (SRB126):**

The government is currently engaged in the development of an active policy on employment. After having adopted a mid-term employment strategy and a national action plan, it has started reforming its employment promotion legislation to review the main areas covered by ILO's employment-related international labour standards and to include

specific provisions for people who have been hard hit by structural reforms (e.g. labour market entrants, older workers and disadvantaged groups).

The work of the ILO in this area aims to strengthen the capacity of the government of Serbia to formulate and implement an active policy on employment as set forth by the Employment Policy Convention (C122), 1964 that was ratified by Serbia in the year 2000. Specifically, the ILO will support the development of a modern employment promotion law as well as the re-organization of the Employment Department of the Ministry of Economy, which is the main technical body entrusted to design, monitor and evaluate the employment policy. Technical assistance will be provided to the Ministry of Economy to strengthen its labour administration functions and the interactions with the Ministry of Labour and Social Policy, the National Employment Service, the Labour Inspectorate and other Ministries in charge of other economic and social policies. Technical advice will be given to review the mandate and functions in the area of employment and to re-organize its Employment Department around clusters of competence covering the whole employment policy cycle (i.e. analysis and planning as well as formulation, monitoring and evaluation of employment policy). Direct assistance will be provided in the form of advisory services to develop a modern employment promotion law.

#### **Outcome indicators:**

- The Republic of Serbia adopts an employment promotion law that reflects the principles enshrined in C122, C88 and C181.
- The provisions of the employment promotion law are applied at national and local levels.
- The Employment Department of the Ministry of Economy and Regional Development (MERD) is able to formulate, monitor and evaluate the employment policy

#### **Outcome 2: A youth employment policy and national action plan are adopted and pilot programmes targeting disadvantaged youth are implemented with the participation of social partners. (SRB127)**

This outcome aims at increasing the effectiveness of labour market institutions, including the social partners, in addressing the youth employment challenge. The underpinning strategy revolves around the recognition that interventions to improve employment opportunities for young people are more effective if they are part of a broader policy framework. Also, it acknowledges that only interventions that are sustained overtime and broad in scope can have a long lasting impact in improving employment prospects of young people. The involvement of several partners in the design, monitor and evaluation of youth employment measures will foster a more coordinated and holistic approach and will greater the impact of the same measures. In addition, the development of targeted programmes will help redress and overcome labour market disadvantages faced by young people who are at risk of social exclusion.

Against this backdrop, the ILO will provide technical assistance and advisory services for the design, monitoring and evaluation of the youth employment policy and national action plan (NAP). Technical assistance will also be provided for the development of programmes to ease the transition of disadvantaged youth to decent work to be financed a Youth Employment Fund. The Fund will sponsor a number of apprenticeships, internships and in-company training opportunities as well as job creation initiatives such as job placement subsidies, self-employment and the establishment of socially

responsible enterprises for youth.

Another area of technical assistance revolves around: i) developing evidence-based policies on youth employment and migration; ii) strengthening the capacity of national institutions to design integrated labour market and social services that are aligned with policy objectives; and iii) supporting local institutions to pilot innovative employment programmes and social services. Such work will contribute to the achievement of two UNDAF outcomes (i.e. sustainable development plans that effectively respond to the need of people, communities and promote rural development and improved network of employment services and strengthened employment promotion policies) and to promote partnerships for decent and productive work for youth (MDG8) through joint action of the ILO, IOM, UNDP, UNICEF and of the MERD, Ministry of Youth and Sports, Ministry of Labour and Social Policy, Ministry of Human Rights, local authorities and the social partners.

**Outcome indicators:**

- Knowledge base on youth employment and migration improved to inform national development strategy and action plans.
- Youth employment and migration targets included in national development strategy.
- A national Youth Employment and National Action Plan (NAP) approved and pilot measures targeting disadvantaged youth implemented.
- Policy and institutional changes introduced with the involvement of the social partners.
- A system integrating labour market, migration and social services for youth established.
- A Youth Employment Fund established and financing active labour market programmes targeting disadvantaged youth.
- A framework for PPPs through corporate social responsibility (CSR) for youth employment developed.
- Guidelines and training packages on the design, monitoring and evaluation of ALMPs targeting disadvantaged youth developed and used by national counterparts.

**Outcome 3: Social finance mechanisms targeting the unemployed are tested and integrated into the national active labour market policies. (SRB128)**

The ILO assistance will build on activities implemented in Serbia since 2004, with a special focus on the formulation and further implementation of recommendations concerning the legal environment, institutional framework and financial products that improve access to finance for business start-ups.

**Outcome indicators:**

- Recommendations on microfinance promotion endorsed by the Government through the elaboration of a law submitted to the Parliament.
- Social finance mechanisms tested through the youth employment fund and active labour market programmes targeting disadvantaged youth.

**Outcome 4: A policy for promoting access to employment of persons with disabilities is adopted by the government, in consultation with the social partners. (SRB129)**

The ILO will provide technical assistance to its constituents to develop a policy framework promoting decent employment for PWDs. In parallel, it will provide advisory services to the NES to develop and implement employment assistance packages targeting workers with disabilities and assist the social partners, as well as a selected number of enterprises, to advocate good corporate social responsible practices on diversity

management among their members, especially with regard to employment of PWDs. Such advisory services will be accompanied by the adaptation of the ILO's guidelines and tools on employment of workers with disabilities.

**Outcome indicators:**

- Bill on employment promotion of persons with disability prepared and law approved by the Parliament;
- The staff of National Employment Service assist persons with disabilities in finding employment
- Pilot employment programmes implemented and lessons learnt included into policy development.
- Employers' and workers' organizations are better equipped to provide advisory support to their members on the implementation of corporate social responsibility measures at enterprise level.
- Tools are used by enterprises to improve management of diversity, especially with regard to employment of persons with disabilities.

**Outcome 5: Employment is mainstreamed in local economic development and regional strategies and in line with national employment policy objectives. (SRB130)**

The ILO will provide technical assistance to national and local government institutions and the social partners to align local development strategies with the objectives set forth by the active policy on employment. This will require the strengthening the capacity of stakeholders at local level to prioritize employment interventions.

Another strand of assistance is geared to redress labour market disadvantages and social exclusion that are strongly correlated to a poor skills base. In this respect, technical assistance will be provided to the MERD and the NES to pilot-test in South Serbia a system's approach to adult training that is firmly based on competency-based methodologies. Such approach will set flexible entrance/exit paths so that workers get the types and levels of skills needed – at different stages of their working lives (lifelong learning) – by enterprises. To attain this outcome, human resources, methodologies, programmes and tools will be developed and integrated into a system that links them to local economic development initiatives.

In addition, advisory services will be provided to local NES offices to: i) conduct regular employers' surveys to identify emerging occupations and skills; ii) identify early in the unemployment spells those people who are more at risk of long-term unemployment and labour market exclusion; iii) improve access to individualized employment services and programmes, especially in smaller municipalities and to rural areas; and iv) develop strategies to reach out to population groups that are at the margins of the labour market and of society.

**Outcome indicators:**

- Local economic development strategies reviewed and employment policy objectives incorporated; other labour market institutions strengthened to prioritize employment interventions at local level;
- The labour market disadvantage of population groups in South Serbia reduced through more and better access to targeted active labour market programmes that respond to labour market requirements;

- A competency-based adult training system rooted in the labour market piloted in South Serbia.

### **Priority 3: Improving the effectiveness of the social protection system with a special focus on vulnerable groups**

Serbia is facing a challenge in determining the right direction of the future course of social protection system. The ILO assistance will focus on assisting the development of national policy and providing technical assistance and capacity building for the implementation of the policy.

#### **Outcome 1: Enhanced capacity of labour inspections and social partners to implement labour law and OSH regulations (SRB151)**

ILO will assist its tripartite partners in implementing the National OSH Strategy 2008-2012. For an effective implementation of the National OSH strategy, the ILO will assist in strengthen the capacity of the inspection services from traditional standards to a modernized ones emphasizing on integrated and preventive approach and involving employers and workers. In addition, the ILO will provide necessary assistance in Serbia's ratification of the OSH Promotional Framework Convention 187. For the promotion of Safety and Health culture and risk assessment, the ILO will help workers and employers in Serbia establish basic understanding of hazards and risks, and rights and responsibilities in relation to prevention of occupational accidents and diseases.

#### **Outcome indicators:**

- Reduction of the number of work-related deaths, injuries and diseases, as a result of effective implementation of the National OSH Strategy
- Steps are taken for Serbia's ratification of the OSH Promotional Framework Convention 187.
- Labour inspections and social partners use ILO tools and procedures designed to improve OSH.
- Safety culture is promoted to social partners through education and advocacy.

#### **Outcome 2: Formulation of the social security policy through technical assistance and social dialogue. (SRB152)**

The ILO will assist the development of national policy on social security reform through policy-oriented research and technical assistance. For the implementation of the policy, the ILO will help key national stakeholders acquire capacity to improve efficiency in social security administration and governance, and to assess the impact of changes in financing methods on income distribution, welfare improvement and poverty reduction.

#### **Outcome indicators:**

- National policy on social security reform is developed and agreed by tripartite constituents.
- Social partners are closely involved in the social security reform and play a key role in the policy making process.
- ILO technical assistance and capacity building are used to develop and implement the national policy.

## **IV. Management and implementation**

The cooperation programme will be managed through a network of ILO experts including the National Coordinator in Serbia, the technical specialists of the Subregional Office for

Central and Eastern Europe, specialist from technical Departments and ILO headquarters and the senior staff of the Regional Office for Europe and Central Asia.. The ILO Office in Serbia, will coordinate the work envisaged under the various outcomes and priorities of the DWCP.

The ILO will continue its cooperation with major stakeholders in the country such as other UN agencies under the framework of the UNDAF programme and the EC Delegation. In this respect, it has played an active and prominent role in several multi-bilateral initiatives revolving around employment promotion. These include the multilateral programme for Inclusive Development in South Serbia that envisages joint action of the ILO, UNDP and UNICEF and the joint UN Programme on Youth, Employment and Migration that involves the ILO, IOM, UNDP and UNICEF. Another inter-Agency initiative relates to the implementation of the UN campaign on Persons with Disabilities, where the ILO is leading the work in the employment area of the campaign.

The objectives of the programme will also be pursued through technical cooperation projects, advisory missions, capacity-building initiatives and advocacy events.. ILO's regular budget resources and extra-budgetary funding, including through UN joint programmes will be allocated to support the implementation of this Country Programme. The ILO network mentioned will continue to mobilise further resources for the follow-up to the results achieved, bearing in mind priority concerns of the constituents. The government and the social partners will facilitate their respective expert staff and premises and provide logistic support, as appropriate. They are committed to implementing the follow-up steps necessary to achieve the expected results. These will be further explained in the DWCP workplan (*see Annex*).

## **V. Performance monitoring and evaluation arrangements**

The implementation of the Decent Work Country Programme will be reviewed on a regular basis with the constituents. An Overview Board will be established for monitoring and evaluation purposes . The selection of the Board members will be done during the launching ceremony of the DWCP.

The Board will ensure the participation of all partners involved in the implementation of the DWCP and will ensure that the commitments to achieve the jointly agreed outcomes are met.

The Board will meet twice a year to assess implementation progress. This occasion will also be instrumental to review the DWCP workplan with the ILO National Coordinator. Adjustments can be made to keep relevance of the outcomes and planned activities.. At the end of each biennium, the Director of the Subregional Office will assess Programme achievements with the constituents.