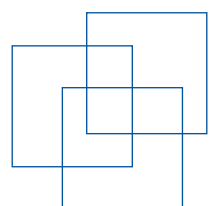


DECENT WORK COUNTRY
PROGRAMME 2019–2022

SERBIA



Front cover photos by Kristina Mukoska Zaturouska

DECENT WORK COUNTRY PROGRAMME 2019 TO 2022

SERBIA

2019

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LIST OF ACRONYMS

CATUS	Confederation of Autonomous Trade Unions of Serbia
CPO	Country Programme Outcome
DWCP	Decent Work Country Programme
EESE	Enabling Environment for Sustainable Enterprises
EO	Employers' Organization
ESC	Economic and Social Council
EU	European Union
GDP	Gross Domestic Product
ILO	International Labour Organization
ILS	International Labour Standards
LC	Labour Code
MoU	Memorandum of Understanding
NEET	Not in employment, education or training
NES	National Employment Service
OECD	Organization for Economic Co-operation and Development
OSH	Occupational Safety and Health
RSD	Serbian dinar
SAE	Serbian Association of Employers
SDG	Sustainable Development Goals
SME	Small and medium enterprises
SOE	State-owned enterprises
ToR	Terms of Reference
TU	Trade Union



1 SUMMARY

Why is the Decent Work Country Programme needed?

Decent Work Country Programmes (DWCPs) are the main vehicle for delivery of ILO support to member countries. DWCPs represent a medium-term planning framework that guides the work of the ILO in a country in accordance with priorities and objectives agreed upon with governments, trade unions and employers.

How was the programme developed?

This programme document is a result of the strategic planning of ILO cooperation activities in Serbia for the period 2019–2022. It has been prepared in consultation with the Government of Serbia as well as the social partners with the aim of creating employment, extending social protection, guaranteeing rights at work and promoting social dialogue as key components of economic and social policies. At the same time the programme supports the national development priorities as informed by the Economic and Social Reform Programme of Serbia, the National Strategy for Gender Equality (2016 to 2020) and it advances on the Sustainable Development Goals (SDGs, especially SDG 8), and defines the ILO contribution to the United Nations Development Assistance Partnership (2016–2020), especially Pillar 3 on inclusive labour markets and decent job creation.

The DWCP was developed through a series of individual consultations and a tripartite planning workshop held in September 2017.

What are the challenges to address?

Key challenges that the country is facing with regard to labour markets and social policies remain high youth unemployment, high inactivity of this age group, and generally low employment rates with a pronounced gender gap. The significant percentage of informal employment remains a concern. Poverty data indicate a high percentage of the population being at the risk of poverty or social exclusion. The social security system faces challenges of financial sustainability and poor targeting. The labour law reform is pending and is very relevant for both EU accession and advancement of social dialogue.

Objectives of the programme

The programme aims to address these key labour market and social protection challenges, where the ILO's technical expertise and comparative advantage provide the Government of Serbia and the social partners with a flexible and agile framework. The programme will also have a role in the legal and policy reforms leading to Serbia's attainment of standards set forth by the EU accession negotiations, especially Chapter 19 on employment and social policies.

Based on lessons learned from past cooperation and the recent consultations the current programme focuses on two priorities with a total of seven outcomes. These are:

Priority	Outcomes
1. Labour market governance	1.1 New labour legislation adopted in line with International Labour Standards and improved legal basis created for social dialogue and collective bargaining
	1.2 Increased usage of peaceful settlement of labour disputes
	1.3 Stronger employers' and workers' organizations
2. More and better jobs	2.1 A comprehensive national employment strategy (2021–30) is adopted in line with International Labour Standards and good practices
	2.2 Improved working conditions and protection from unacceptable forms of work
	2.3 Reform measures adopted for creating an enabling environment for sustainable enterprise
	2.4 Improved minimum wage fixing mechanism

2 COUNTRY CONTEXT

diagnostic and situation analysis

2.1 Challenges of an incomplete economic transition¹

EU accession as a leverage for reforms

Serbia has got a central position among the Western Balkan countries that aspire to the EU membership. Being the largest country among the candidates for accession from the region, she is strategically relevant for the further process of EU integration. Serbia began negotiations for full membership in the EU in January 2014. By now it has opened fourteen (out of 35) negotiation chapters (2 of which are temporarily closed) and its goal is to join the EU by 2025.

Slow growth because of incomplete transition

Slow economic growth averaging around 1% per annum in the last decade as a result of decline in both public and private investments brought Serbia to the GDP level of around 86% of the 1990-level, and at the level of 36% of the EU-28 average.² The most important reason for this unsatisfactory growth performance is an unfinished transition from a centrally planned to a market economy. According to the World Bank, weak domestic demand and various structural bottlenecks including the delayed privatization of remaining state owned enterprises (SOEs), non-reformed public enterprises, and a poorly performing banking sector, prevented the economy from recovering.³

Unsustainable state owned enterprises

Serbia stands out in the Central and Eastern European region with one of the highest shares of SOE assets in GDP at around 70%⁴. Weak performance of the more than 600 SOEs has remained a considerable burden on public finances and a source of major fiscal risks. The restructuring of these companies has been running behind schedule and the subsidies from the state budget with 2.5 per cent of GDP⁵ are significantly higher than in the EU (1.3 per cent).

2.2 Main trends in the labour market and social policies

Employment

High levels of youth unemployment and inactivity

The challenges of the incomplete economic transition have strongly affected the labour market. According to recent official statistics, the overall unemployment rate has decreased from its peak of 23.9% in 2012⁶ to 14.7% in 2017⁷ and 11.9%⁸ in the second quarter of 2018. This can be partially attributed to demographic factors, including low birth rates and continuing emigration⁹. However, more recently the creation of new jobs can also be observed. In 2017 the National Employment Service registered approx. 270,000 new jobs (most of which are low skilled and low paid jobs), which represents a 1.3% increase compared to the previous year. The level of **youth unemployment** (15 to 24 years) at an average of 33.3% (34.8 for young women) is still worryingly high, especially compared to a 16.1% rate of youth unemployment in the EU¹⁰. The percentage of youth between 15 and 24 not in employment, education or training (**NEET**) remains high at 18% and equally affects both women and men. The significant percentage of informal employment (19.8%) remains a concern, particularly as it disproportionately affects women (around 25%) and youth aged 15–24 (40%). Another concern is also the high number of employed in the public sector (40% of all people with formal employment¹¹).

Employment rate far behind EU average

The employment rate in Serbia is picking up and reached 46.3% in 2017, but it is still much lower than the EU 28 average employment rate standing at 71%¹². There is a pronounced gender gap in the employment rate (54% for men and 39.1% for women), in spite of women being acknowledged as a key driver of development in the National Employment Strategy 2011–2020, in the Employment and Social Policy Reform Programme, and in national and local employment action plans.

Complex business environment

The uncondusive business environment is an important constraint impeding job creation. The formal private sector has created few jobs in recent years. Informal employment, poor access to finance and corruption are cited as important constraints for enterprise growth.¹³ The gender gap in entrepreneurship is still pronounced. Managers and owners of small and medium-sized enterprises are mostly men (77.9%¹⁴).

Labour market inclusion

High risk of poverty

Poverty data indicate that 25.5% of the population is at risk of poverty compared to the EU average of 17.3%¹⁵. The most at risk are persons in the 18–24 age group and persons under 18 years of age. The fact that the percentage of children among the poor is at 28% while the percentage of children in the overall population is 16% raises significant concerns.

Wages

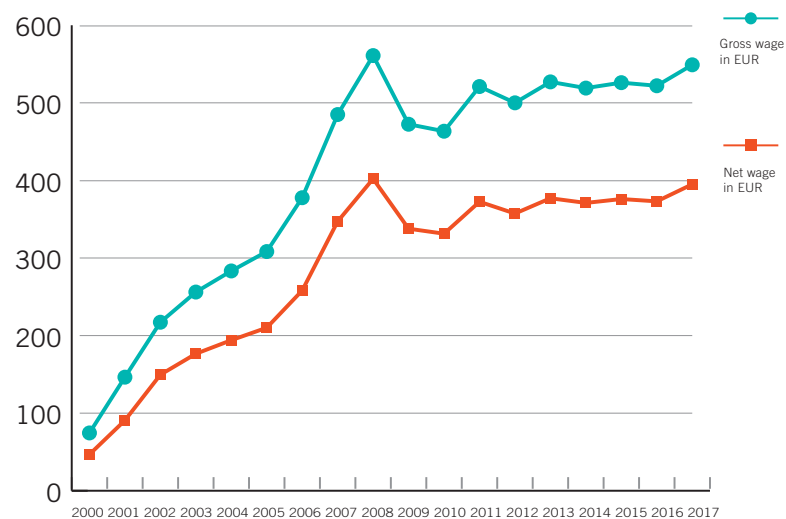


Chart 2.1: Nominal wages in Serbia in 2000–2017¹⁶

Low level of wages

During the Big Recession and its aftermath the wages in Serbia fluctuated around the pre-crisis level, primarily because the real wage growth was constrained by low labour productivity growth. This trend has only started to change in recent years with a real wage growth of more than 1 percent between 2014 and 2016. The average net wage in Serbia still stands at only 47,893 RSD at the end of 2017, equivalent to 404 EUR. The minimum wage in Serbia is around 25,000 RSD (210 EUR) at the beginning of 2018 and it is received by more than 300,000 workers (between 12 and 15% of all employed). Disaggregated data by gender are not available.

Gender pay gap

The differences between wages earned by women and men, referred to as gender pay gap, are relatively small in Serbia as compared to the EU average (8.7% vs 16%)¹⁷. However, the so called adjusted gender pay gap¹⁸ shows that the challenge of realizing equal pay for equal work is bigger than at first sight. When personal labour market characteristics of women in Serbia are taken into account (most importantly they have higher educational attainments than men) the gap rises to 11% and is at the same level as the EU average.¹⁹

Social security

Challenges in sustaining the pension system

The social security system in Serbia has been facing adverse challenges in the past several years. The pension scheme has been heavily subsidized by the general state budget as the contributions from workers and employers could only cover one half of the total expenditure. Under the pressure of fiscal consolidation the government implemented a temporary measure to proportionately reduce the pensions above the average pension from 2014 until October 2018. This measure affected 40% of the pensioners. A rapidly aging society will further aggravate the challenging situation in the pension system.

Evasion of social security contributions

Compliance with the social insurance legislation remains a problem also contributing to the underfunding of the social insurance system. Under-reporting of the contributory wages is widely spread in Serbia.²⁰ There is a need to further strengthen the coordination between social insurance organizations, central registry of mandatory social insurance and the tax authority that is responsible for the collection of social insurance contributions.

Lack of incentives for investment in occupational safety

Another key problem of social security concerns the employment injury benefits. Although Serbia provides comprehensive social security benefits, elements of direct employer liability still remain weak in the case of work-related injuries and occupational diseases. In addition, the employers' financial responsibility for employment injury benefits is not clear under the equal sharing of the total contributions for pensions and health insurance. Moreover, a poor reporting system of work accidents and occupational diseases makes it difficult to formulate effective employment injury protection and prevention policies. The Government of Serbia and ILO have been working towards the introduction of a new employment injury insurance system funded by employers' contributions.²¹ The government plans to prepare a draft law on the employment injury insurance by 2022.

Social dialogue

Limited role of social dialogue and collective bargaining

Effectiveness of tripartite social dialogue is limited in Serbia. The government frequently does not consider the comments of social partners on economic and social reforms. Negotiation power and capacity to deliver of the social partners are low which makes it difficult to be consulted as collective voice of workers or businesses. Trade unions and the employers organizations submitted in 2018 their observations to the ILO Committee on Application of Standards on the implementation of the Convention No. 144 on Tripartite Consultations in 2018.

Social dialogue and collective bargaining are also strongly affected by the dynamics of reform of the labour legislation including the provisions on registration and representativeness of trade unions and employers' organizations. The increase of thresholds for representativeness at the branch level from 30% to 50% as a pre-condition for the extension of collective agreements significantly reduced the number of collective agreements in the private sector.

The new Labour Code is expected to be adopted by 2021 being part of the EU accession agenda, together with some other adjacent laws such as the Law on Strike, Law on Social Entrepreneurship, and the Law on Private Employment Agencies, whilst the Law on simplified labour engagement in seasonal work was adopted in June 2018, as well as the Law on changes and amendments to the Law on peaceful settlement of labour disputes.

Mediation of labour disputes underused

The number of labour disputes in Serbia is on the rise due to precariousness of jobs and enterprise restructuring. As the peaceful settlement of labour disputes is not yet broadly known as an alternative to going to court only a limited number of disputes are referred to the public Agency for Peaceful Settlement of Labour Disputes set up in 2005 as the first agency of its kind in the Western Balkans. At the same time the courts are inefficient, so many labour lawsuits last more than 3 years.

2.3 Lessons learned

Difficulties in harmonization with the EU *acquis* due to frequent political changes

The ILO commissioned an independent review of the 2013–2017 Serbia DWCP. While the priorities and outcomes of the DWCP were seen relevant by constituents, there were difficulties in implementation due to the frequent political changes leading to delays in implementation. An example is the work on the Labour Code that has been guided by the need for harmonization with the EU *acquis*. However, no progress has been made due to frequent political changes. Another example is the capacity building of the Labour Inspectorate that has been included in the last DWCP. This issue has not been addressed due to the Government's intention to work on it with support from the EU twinning program. However, the twinning agreement has been facing serious delays.

The review found that the ILO's capacity building support to the social partners has had an impact and has led to the provision of better services, especially for the employers' organisations.

The review also concluded that the tripartite Overview Board needs to play a stronger role in monitoring the DWCP in order to have a more successful implementation.



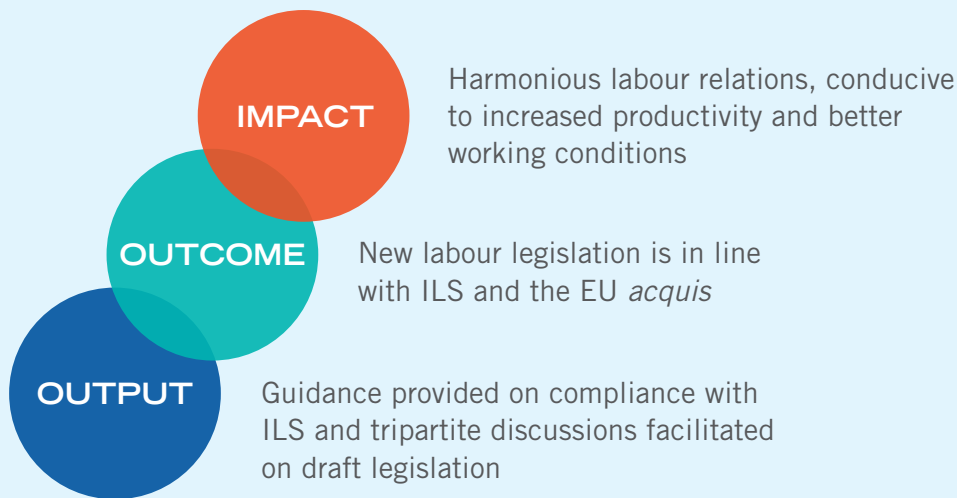
3 COUNTRY PRIORITIES AND COUNTRY PROGRAMME OUTCOMES

The choice of priorities for the DWCP Serbia 2019–2022 supports both national and global goals (SDGs), including EU integration priorities for Serbia as EU candidate country. The Government of Serbia perceives the EU accession as one of the key accelerators of the SDG achievement.

The two key priority areas for the new DWCP are:

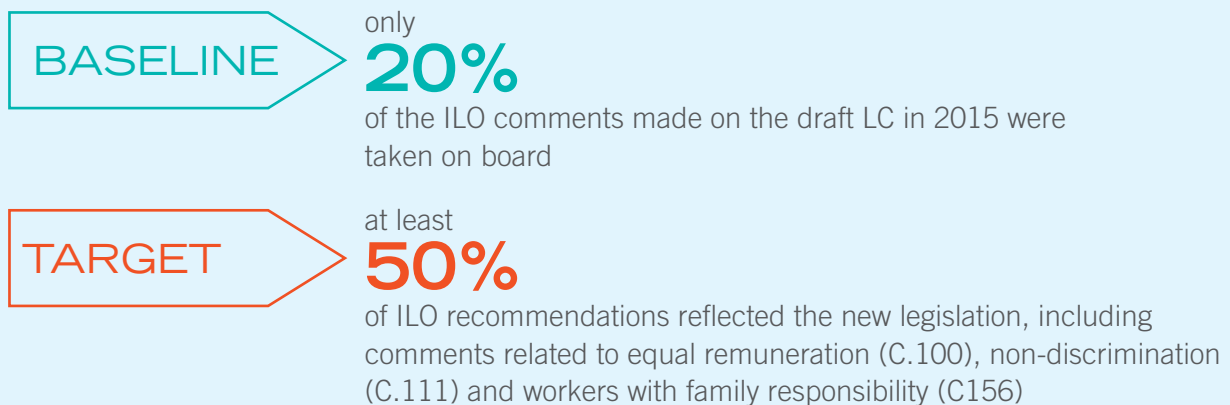
Priority	Outcomes
1. Labour market governance	1.1 New labour legislation adopted in line with International Labour Standards and improved legal basis created for social dialogue and collective bargaining
	1.2 Increased usage of peaceful settlement of labour disputes
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	2.2 Improved working conditions and protection from unacceptable forms of work
	2.3 Reform measures adopted for creating an enabling environment for sustainable enterprises
	2.1 Improved minimum wage fixing mechanism

INTERVENTION MODEL

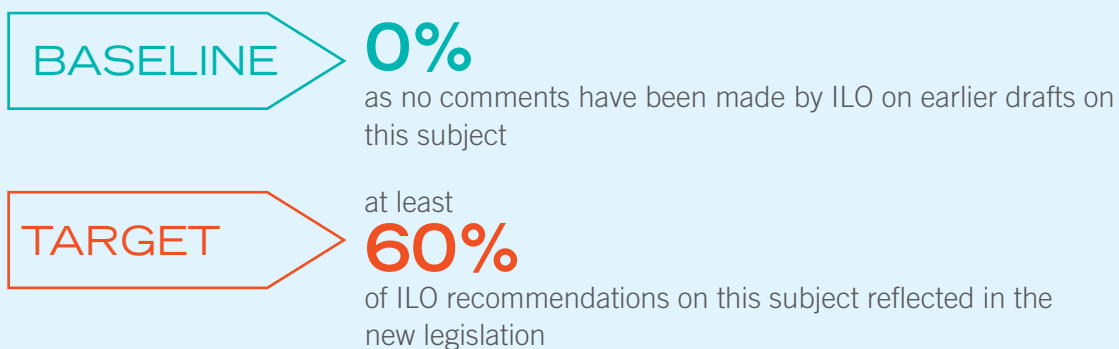


MEASURE OF PERFORMANCE

ILO recommendations reflected in the new Labour Code and legislative package initiated by the Government in relation to the labour law reform



ILO recommendations reflected in the new legislation related to the establishment of trade unions and employers' associations, the determination of representativeness of trade unions and employers' associations, collective bargaining, as well as the establishment of new and strengthening of existing Economic and Social Councils



Outcome 1.1 New labour legislation adopted in line with ILS and improved legal basis created for social dialogue and collective bargaining

The rationale for labour legislation revision

Conformity of national legal and institutional frameworks with International Labour Standards (ILS) and EU *acquis* is an international obligation of the state as a member of the ILO and a key element of further accession negotiations. The Labour Code was partially amended in 2014 when only a few ILO recommendations were taken on board. Further progress on Labour law reform is a condition for advancing the EU accession agenda. The Government has committed to undertake, in consultation with the social partners, a revision of the current Labour Code, and a legislative package including the Law on Strike, and the Law on Private Employment Agencies. The tripartite Economic and Social Council (ESC) is ready to support this work meant to ensure that all draft laws pertaining to labour will be accompanied by recommendations/opinion of the ESC when submitted to the parliament, but the ESC itself also requires strengthening and more engagement of other ministries present in it.

Theory of change

If the ILO organizes and facilitates tripartite consultations with the Government and the social partners to reach a political and technical compromise, and if the ILO provides guidance and advice on compliance with International Labour Standards, with particular attention to addressing the ILO's supervisory bodies observations²² and exposure to European-wide comparative law and practice, and if the ILO provides technical assistance in improving the legislative framework related to the establishment of trade unions and employers' associations, the determination of representativeness of trade unions and employers' associations, collective bargaining, as well as the establishment of new and strengthening of existing Economic and Social Councils,

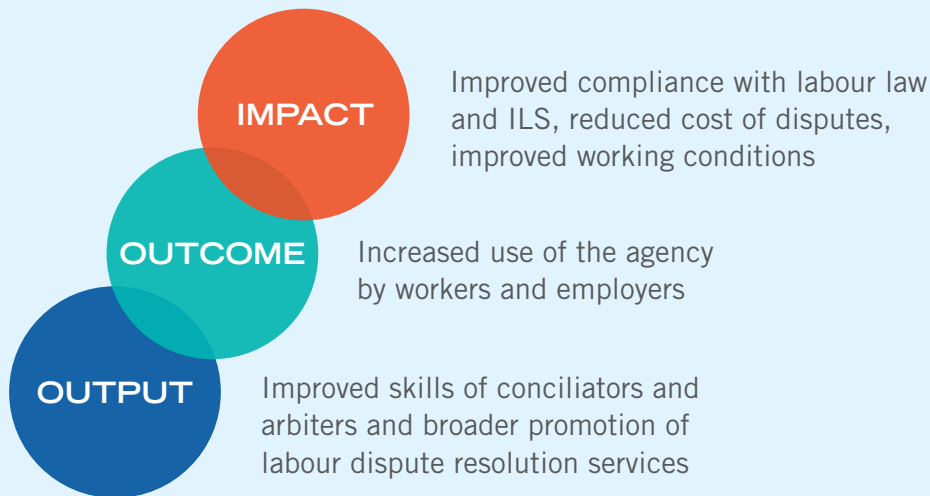
then tripartite constituents are well informed and equipped to agree on customized workable solutions to address the current legal and implementation gaps,

leading to harmonious labour relations, conducive to increased productivity and better working conditions for the employees.

An important sustainability element of the intervention strategy is that it responds to a specific request and the intervention strategy involves building the capacity of existing institutions, responsible government officials and includes consultation with social partners.

These changes will contribute to Serbia's achievement of SDG targets 8.8²³ and 16.6²⁴.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Relative number of cases initiated by the Agency increases (in comparison to the overall number of labour disputes in the country)

BASELINE **1,041** individual and **26** collective cases in 2017

TARGET **20%** increase in the number of cases, including gender discrimination and sexual harassment related, handled by the Agency by the end of 2022

The rate of resolved and voluntarily implemented, i.e. number of cases settled out of the number of cases referred, increases

BASELINE **393** individual and **16** collective labour disputes resolved by the agency in 2017

TARGET **10%** increase in the settlement rate of cases, including gender discrimination and sexual harassment related ones by the end of 2022

Outcome 1.2. Increased usage of peaceful settlement of labour disputes

The rationale for amicable dispute resolution

Alternative settlements of individual or collective labour disputes can be an effective tool to preserve sound labour relations and to avoid economic losses. The Agency for Peaceful Settlement of Labour Disputes of the Republic of Serbia was established in 2004 and ever since it has resolved more than 5,000 individual and 126 collective labour disputes. Despite the recent amendments to the Law on Peaceful Settlement of Labour Disputes, the existing legal framework still limits the scope of intervention by the Agency in certain types of labour disputes, whereas the workers and employers are generally poorly informed about the availability and advantages of non-judicial methods to resolve their disputes. Overall, the Agency has not yet reached the scale it could have.

Promising steps to achieve scale

The government in consultation with the social partners has recently adopted the amendments to the Law on Peaceful Settlement of Labour Disputes, whereby the jurisdiction of the Agency over a wider range of disputes has been extended and both employers and workers are encouraged to refer their disputes to the Agency before starting litigation in court.

Theory of change

If the ILO contributes to up-skilling of a specialized group of professional labour conciliators and arbitrators, and if the ILO helps the Government and the social partners to promote the advantages of amicable settlement of labour disputes, and the Agency to increase its outreach, and if the ILO facilitates the exchange of expertise and case management information among sister agencies for peaceful settlement of labour disputes in Central and Eastern Europe,

then workers and trade unions on one hand, and employers and employers' organizations on the other will: a) more often make recourse to conciliation, mediation, or voluntary arbitration in order to settle their disputes; b) engage more actively in collective bargaining and will use collective agreements in order to handle grievances at the workplace,

leading to a reduction of labour litigations in court, reduced cost of disputes and work days lost by strikes and improved working conditions.

The sustainability of the intervention is based on increasing the outreach of the Agency to a larger public and increasing their capacity to attract and handle more cases and to become a valid and preferred alternative to courts.

These changes will contribute to Serbia's achievement of SDG targets 8.8²⁵ and 16.6²⁶.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Number of recommendations of employers' and workers' organisations on economic, social and employment policies including those that take gender aspects into account

BASELINE	4 policy position papers developed by SAE in the past 2 years
	3 policy position papers developed by CATUS in the past 4 years
	4 policy position papers developed by Nezavisnost in the past 4 years

TARGET	at least 2 new policy position papers including references to gender developed by EOs and TUs by the end of 2020
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Number of new or revised services introduced by Employers' and workers' organisations

BASELINE	SAE available services in 2018: legal advice, consultancy, assistance with collective bargaining, trainings tailored to members' needs CATUS/Nezavisnost available services in 2018: legal advice, representation of members in the courts, participation in tripartite working groups for the drafting of new legislation, activities in international cooperation, organization of membership and spreading of network of organizations, informing of members, networking with civil society organizations, assistance with collective bargaining and occupational safety and health advice
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TARGET	at least 2 new services/products developed or improved by the EOs and TUs by the end of 2020
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Outcome 1.3 Stronger employers' and workers' organizations

The rationale for strengthening social partners

Independent, capacitated, and representative social partners play a crucial role in advancing the collective interests of their constituents and influencing policy development and reform. However, both employers' and workers' organisations in Serbia still face significant capacity challenges that prevent them from performing this role more effectively. Apart from that, the social partners in Serbia feel left out of some legal and political processes pertaining to national economic and social development, including the process of amending the relevant legislation. While increased capacity of workers' and employers' organizations alone cannot guarantee a better social dialogue at national level, assisting the social partners in quality advocacy and increased relevance for their constituents through better services would help the organizations to make the voice of their membership heard.

Theory of change

If the ILO assists workers' and employers' organizations in increasing their capacity on policy drafting, advocacy and membership services,

then social partners will be better placed to respond to their membership needs and to participate more effectively in social dialogue

leading to economic, employment and social policies that work for everyone.

With a well-functioning social dialogue, where trade unions could focus on the rights of workers and their organization and the quality of jobs, while the employers' organizations could work to foster the strength and sustainability of businesses, a better environment for workers and business could become a reality. These changes will contribute to Serbia's achievement of SDG targets 8.8²⁷.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

An inter-ministerial tripartite working group leads the formulation of the employment strategy

BASELINE 0

TARGET The group is established by the time the draft evaluation of the current NES is submitted for review

Number of recommendations from the peer-learning exchanges on inclusiveness and employment practices taken on board by the NES, including those that are gender responsive

BASELINE N/A

TARGET at least **80%**

Outcome 2.1 A comprehensive national employment strategy (2021–30) is adopted in line with International Labour Standards and good practices

The rationale for a comprehensive employment strategy

A coherent, integrated and well-designed employment strategy, which cuts across the macro- and microeconomic dimensions of the nexus between growth and employment, is tantamount to achieving sustainable development and decent work. A comprehensive employment strategy should elaborate (i) a vision, (ii) an explicit employment target to be achieved by 2030 (with relevant milestones), and (iii) a concerted framework linking all employment policy interventions, as well as all stakeholders. This requires the participation of multiple line ministries, government institutions, workers' and employers' organizations, financial institutions, industry and other civil society groups—which have a role to play in reaching employment targets. The content of the employment strategy of Serbia will touch upon a wide array of economic, social, and labour market policies that affect both the supply and demand sides of the labour market, as well as the intermediation between them. It will build and enhance the employment dimensions of other existing policies and strategies, such as the Strategy for the development of industry and the Education strategy.

Theory of change

If the ILO facilitates inter-ministerial and tripartite consultations with the Government and the social partners around the results of the current employment policy and future labour market scenarios, and if the ILO provides guidance and advice on the formulation of the new employment strategy by facilitating knowledge-sharing and participation,

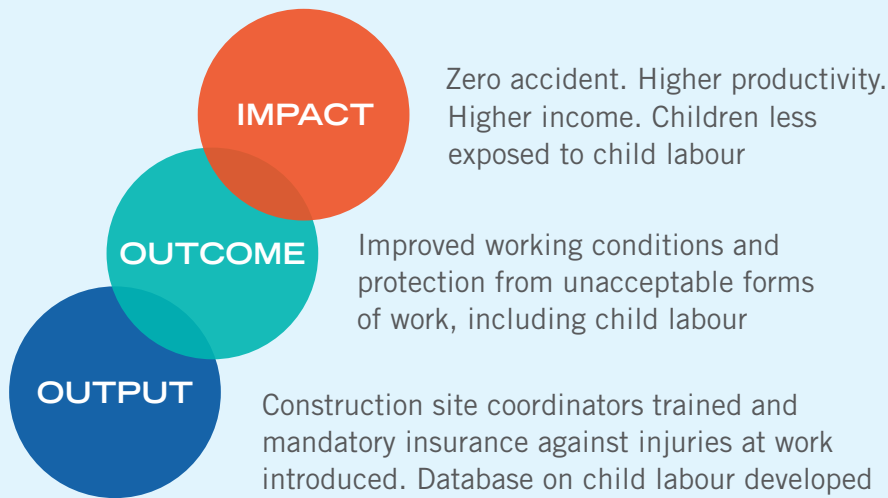
then the new national employment strategy (NES) is informed by the lessons learnt during the current phase and by good practices concerning inter-ministerial coordination and consultation,

leading to a stronger institutional and policy framework that works coherently toward an employment target and ultimately the creation of more and better jobs.

These changes will contribute to Serbia's achievement of SDG targets 4.4²⁸, 8.3²⁹, 8.5³⁰ and 8.6³¹.

An important sustainability element of the intervention strategy is that it supports approaches such as concertation and peer reviewing around employment policies that are at the core of the open method of coordination used by the EU Member States.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Tools introduced for implementation of the new National OSH Strategy that addresses the need to improve the OSH culture equally among women and men in Serbia

BASELINE

National OSH Strategy for 2018–2022 adopted

TARGET

At least three new tools introduced, including the training of construction site coordinators and the new software for reporting of occupational injuries

Monitoring system of the Labour Inspectorate on child labour established and fully operational

BASELINE

0

child labour cases detected and reported by the Labour Inspectorate in 2017

TARGET

15

child labour cases reported, analysed and referred to Centers for Social Work

Outcome 2.2 Improved working conditions and protection from unacceptable forms of work

Rationale of the intervention

In Serbia, construction is one of the most hazardous sectors. Construction suffers from a high number of work accidents, especially serious and fatal accidents. The complex contractual structure and the high level of temporary employment are also closely related to the high number of work accidents and occupational diseases in the sector (i.e. in order to win the public tenders large construction companies tend to rely on the small subcontractors, which cut down their costs to make themselves cheaper by neglecting OSH equipment standards). There is a high need to improve the implementation of safety and health measures in construction, particularly in small and micro enterprises, through a systematic enforcement of regulations which would prevent the companies with poor OSH record in construction to be hired again through public tenders.

The Labour Inspectorate is not sufficiently equipped to deal with the prevention of work accidents; it is understaffed and lacks specialized trainings. An additional challenge is that neither the Labour Inspectorate nor any other inspection service has a clear mandate to detect undeclared work in the informal economy also including agricultural work performed by children. The lack of credible and easily accessible data on child labour and undeveloped indicators for identification and monitoring of child labour make the work of the Labour Inspectorate in combating unacceptable forms of work even more difficult.

Theory of change

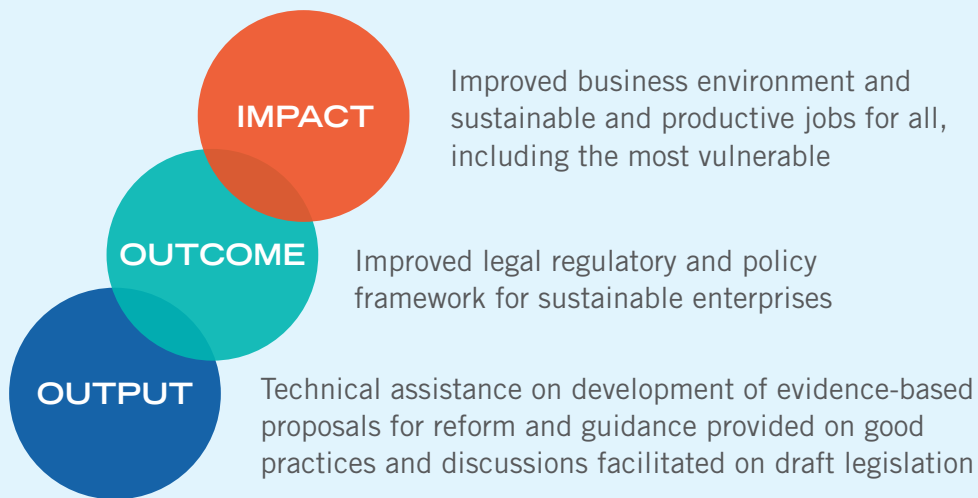
With ILO support, workers and employers in the construction sector will develop the capacity to establish a safety culture. This will contribute to the stricter compliance with safety rules, behavioural change avoiding risks, reduction of human errors, which will in turn lead to a visible reduction in work accidents and occupational diseases, eventually to zero. Ultimately, safer working conditions will contribute to the higher productivity and profitability thereby leading to a higher income.

In parallel with that, the ILO will help develop specific indicators for identification of child labour, with emphasis on the agriculture sector, and the creation of a database for monitoring and collection of data related to child labour. This will contribute to the stricter compliance with national and international standards prohibiting child labour which will lead to improved children's development in key areas such as education and health.

Direct involvement of social partners as key partner will help increase the sustainability. Also, a public-private partnership in the area of OSH in construction will be sought.

These changes will contribute to Serbia's achievement of SDG targets 8.8³².

INTERVENTION MODEL



MEASURE OF PERFORMANCE

Number of reform measures adopted, based on recommendations of the national Enabling Environment for Sustainable Enterprises assessment

BASELINE

0

TARGET

minimum of

2

reform measures adopted based on recommendations of the EESE report, of which at least one includes elements supporting women and youth entrepreneurship

The Law on Social Entrepreneurship includes the main dimensions of the *Acquis communautaire*: (i) work integration and service delivery; (ii) functional identification of beneficiaries; (iii) clear fiscal regime; (iv) legal form

BASELINE

N/A

TARGET

4

elements are clearly addressed in the law and through the implementation instruments (by-laws, funding, etc.)

Outcome 2.3 Reform measures adopted for creating an enabling environment for sustainable enterprises

As in many other countries, the largest potential for job creation in Serbia is in the private sector. However, small and medium enterprises (SMEs) are often hit harder by an uncondusive business environment than larger enterprises and are seen as having lack of level playing field. In order for sustainable enterprises to flourish, the business environment defined as the complexity of policy, legal, institutional, and regulatory conditions governing business activities has to improve. This is particularly relevant in Serbia as the country is a latecomer to economic transition (see chapter 2).

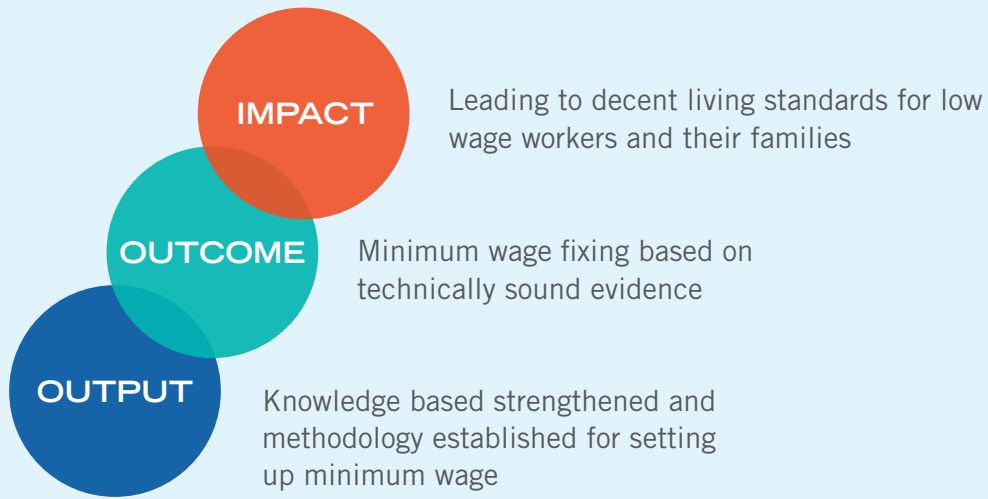
If the ILO provides assistance to assess the current major constraints hampering sustainable enterprise development in Serbia through its EESE methodology and if the ILO provides guidance and advice on how to advocate for reform in an evidence-based manner and if the ILO delivers a capacity development programme for the stakeholders involved in the formulation and implementation of the law on social entrepreneurship,

then dialogue between the employers, workers and government to reach shared policy recommendation for reform can be fostered and conditions to enable the creation and growth of enterprises (including social enterprises) can be put in place in the country,

leading to improved business environment for the SMEs, reduced costs for doing business, increased number of enterprises and increase in the number and quality of employment.

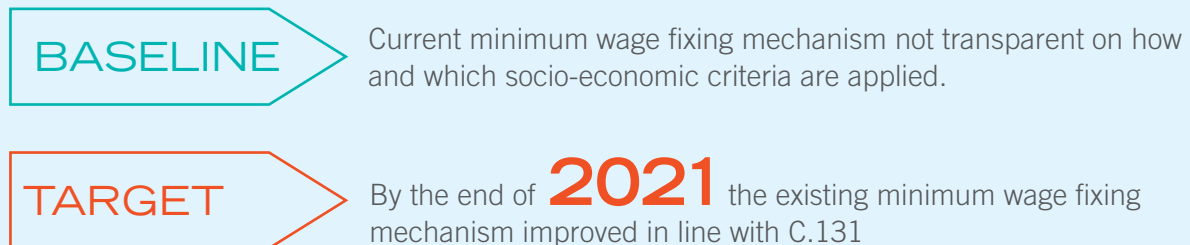
These changes will contribute to Serbia's achievement of SDG target 8.3³³.

INTERVENTION MODEL



MEASURE OF PERFORMANCE

New minimum wage fixing mechanism introduced with a technically sound evidence and justifications agreed with tripartite constituents.



Outcome 2.4 Improved minimum wage fixing mechanism

Wage as a fundamental right

Presently, the minimum wage in Serbia is 210 Euro (as of Jan 2018) which is lower than the poverty threshold of a family of four persons³⁴ and subsistence minimum in the country. A well-functioning and precise mechanism to fix the minimum wage needs to secure the livelihood of workers and family members.

Necessity of wage policy revision

At present, minimum wage³⁵ is determined once a year. The clauses of Labour Law take into account ILO Convention 131. and six criteria for determining the minimum wage are listed. Still, the relation among elements that are taken into account when the level of minimum wage is determined needs to be defined more precisely.

Theory of change

If the ILO contributes to strengthening the knowledge base of tripartite constituents on minimum wage fixing mechanisms by also sharing international best practices, particularly in the EU countries, and if the ILO provides an analytical study and technical assistance on developing a new mechanism of minimum wage fixing,

then the government will establish a new system to determine the minimum wage in consultation with social partners,

leading to decent living standards of low wage workers based on technically sound evidence in line with ILO Convention 131.

The proposed action on supporting the minimum wage fixing mechanism has a strong institutional set up, that is expected to ensure sustainability.

These changes will contribute to Serbia's achievement of SDG target 10.4³⁶.



4 MANAGEMENT, IMPLEMENTATION PLANNING, MONITORING, REPORTING AND EVALUATION ARRANGEMENTS

4.1 Implementation, performance monitoring and evaluation arrangements, including roles of ILO constituents

Joint implementation

The cooperation programme will be managed by the ILO office for Central and Eastern Europe (DWT/CO-Budapest), the National Coordinator in Belgrade, the Regional Office for Europe and technical units at headquarters in Geneva. The ILO will continue its cooperation with major stakeholders in the country, such as the UN under the framework of the United Nations Development Partnership Framework 2016–2020 for Serbia and the EU Delegation.

The programme will be jointly implemented (including support, funding and monitoring) by the constituents and the ILO. From the ILO side, this will be pursued through technical cooperation projects, advisory missions, and seminars for information dissemination and capacity building. Extra-budgetary and ILO's regular budget resources will be used to finance the implementation of this Country Programme.

A tripartite Overview Board will be set up with a clear role to promote the DWCP and monitor its implementation. The Board will review the implementation on an annual basis suggesting necessary adjustments, addressing bottlenecks and helping in resource mobilisation. The ILO will prepare a progress report on an annual basis that will feed into the work of the Overview Board.

The ILO will commission an internal mid-term review and a country programme review at the end of the DWCP cycle in order to evaluate its relevance, effectiveness and efficiency. In order to improve the evaluability of the new DWCP much effort has been put into defining clear theories of change for all seven outcomes as well as quantified measures of performance.

4.2 Risks

Main risks are political changes, weak ownership and lack of resources

The key findings of the country programme review of the DWCP Serbia 2013–2017 remain valid and still represent the main risks for the current programme as well. Namely, the sometimes quickly changing political priorities, lack of strong ownership over the programme, and lack of resources.

Shared understanding of the lessons learned of past cooperation, participatory planning, and strengthened role of the Overview Board are measures taken to minimise the risk of lack of ownership. In addition, the current programme is closely aligned to the country's EU accession process, thus reducing the risks of major political changes.

Achieving the DWCP outcomes will depend on the availability of the necessary financial and human resources both from constituents of Serbia and the ILO. While the ILO developed a resource mobilisation strategy, a success will only be possible if the Serbian constituents strongly advocate for priorities and outcomes of the DWCP.

4.3 Funding Plan

Stronger resource mobilisation

The DWCP will have to be resourced by a combination of contributions from ILO regular budget and ILO extra-budgetary sources, donor contributions and in-kind contributions by the Government of the Republic of Serbia.

The confirmed extra-budgetary resources as well as any remaining funding gaps are listed in the results framework. Resource mobilisation to cover the existing funding gaps will be done based on joint prioritisation. It has to be noted that traditional sources of external support for development cooperation are decreasing for higher middle-income countries like Serbia, while new forms of assistance are available through the EU accession process. In this context, the ILO and the tripartite constituents of Serbia need to continue to mobilise resources together in a coherent manner in order to operationalise the 2019–2022 DWCP for the country.

ANNEX I

Advocacy & communication plan

The objective of advocacy and communication activities is to raise awareness among relevant stakeholders and the general public in Serbia on:

- The role of International Labour Conventions and SDG 8 in promoting inclusive and sustainable development in Serbia,
- The importance of effective partnerships to address decent work challenges in Serbia, implement the SDGs and national development priorities, and
- Success stories emerging from initiatives under the DWCP Serbia.

The visibility and communication activities target primarily the tripartite constituents, as well as multi- and bilateral donor organizations, civil society organizations and other international and governmental agencies working in Serbia in the same or similar themes. The secondary audience is the general public of Serbia.

The ILO will develop a yearly “Advocacy and communication activity plan” jointly with the constituents. This plan will include at least 2 events per year to ensure the visibility of the achievements and key messages of the DWCP. These key messages will be defined jointly with the tripartite constituents; activities will be carried out in consultation, coordination and/or collaboration with them.

Planned advocacy and visibility activities for year 1.

DWCP activity	Description	Partners	Channel
DWCP launch event	News item issued, interviews made with social partners, photos	UN, social partners, press office of Ministry	ILO/UN/Ministry/ trade unions/Serbian Association of Employers websites

The relevance of the DWCP as contribution to the UN Development Partnership Framework in Serbia, as well as the key importance of employment and social policies for the national development agendas will be highlighted. In that regard, the ILO will also rely on the assistance of the UN communications team that supports UN Agencies and the authorities in Serbia to communicate in a more coordinated way to explain the work of the UN in Serbia, contribution to achievement of SDGs, demonstrate results, support policy advocacy and resource mobilisation, and help raise awareness about key development challenges. This work is guided by a joint UN communication strategy.

The Overview Board will undertake a mid-term review of advocacy and communication activities and results.

ENDNOTES

- 1 In order to give a comprehensive overview the country context provides a brief analysis of the main employment and social policy challenges along the four pillars of the ILO Decent Work Agenda. This does not mean that all challenges are covered in the new DWCP presented in the next chapter which is based on the priorities selected by the ILO constituents in Serbia.
- 2 World Bank Group: the Western Balkans – Revving up the engines of growth and prosperity, PPT presentation, slide 5 (2017)
- 3 World Bank Country Partnership Framework for Serbia 2016–2020 <http://pubdocs.worldbank.org/en/111121446462343202/Serbia-CPF-eng-web.pdf>
- 4 EBRD: Serbia Diagnostics: Assessing Progress and Challenges in Developing a Sustainable Market Economy (2017)
- 5 World Bank Group, Western Balkans Regular Economic Report No 13, Spring 2018
- 6 Eurostat Sep 2016
- 7 Statistical Office of the Republic of Serbia, www.stat.gov.rs
- 8 Statistical Office of the Republic of Serbia, www.stat.gov.rs
- 9 According to the OECD the average annual number of Serbian citizens who have left the country between 2005 and 2014 was 46,000, with the record-high 66,000 in 2015, see OECD, International Migration Outlook 2017
- 10 Eurostat, December 2017
- 11 World Bank Group, Rebalancing Serbia's Economy, 2014
- 12 Eurostat, June 2017
- 13 The Western Balkans: Revving Up the engines of Growth and Prosperity, World Bank 2017
- 14 National Strategy for Gender Equality for 2016–2020
- 15 Eurostat, 2016. The most recent survey of Eurofound on European quality of life including 5 accession candidates from Western Balkans has similar results on living standards and deprivation. In Serbia 30% of the households report difficulties or great difficulties in making ends meet while the average for EU28 is 15%. More women than men report these difficulties (35% vs 28%) while there are no gender differences in EU28. See <https://www.eurofound.europa.eu/data/european-quality-of-life-survey>
- 16 Data for The source for 2000–2009 is our publication “Wage trends and wage policies in South-East Europe: What impact of the crisis?”, http://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/publication/wcms_172434.pdf
For 2010–2017 the data comes from the Statistical office of Serbia, calculated using the EUR/RSD exchange rates
- 17 For figures for Serbia see the results of the survey of the Statistical Office of Serbia, http://www.stat.gov.rs/media/3625/isz2014_3-platni-jaz-izmedju-zena-i-muskaraca.xlsx; For figures from EU see http://ec.europa.eu/eurostat/statistics-explained/index.php/Gender_pay_gap_statistics#Possible_causes_of_the_unadjusted_gender_pay_gap (the data are from 2016)
- 18 The adjusted gender pay gap describes the difference between wages for women and men if working women were to have on average the same labour market characteristics as working men.
- 19 On EU average see <https://circabc.europa.eu/webdav/CircaBC/ESTAT/dss/Library/DSS%20meetings/DSS%20meetings%202017/3.%20DSS%20Board%20meeting%20-%204%20and%205%20December%202017/DSSB-2017-Dec-%203%20Adjusted%20gender%20pay%20gap.pdf>
- 20 According to the latest survey of National Association for Local Economic Development (NALED) the informal economy in Serbia is accountable for 14.9% of the GDP, whereas 62% of the money in the informal economy comes from the under-reported wages
- 21 ILO. 2012. Employment injury protection in Serbia: Issues and options. ILO. 2013. Restructuring the employment injury insurance system in Serbia: further analysis of reform options.
- 22 Conventions 144 (Tripartite Consultations), 156 (Workers with Family Responsibilities), and 183 (Maternity Protection)
- 23 SDG Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
- 24 SDG Target 16.6 Develop effective, accountable and transparent institutions at all level
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- 27 SDG Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
- 28 SDG Target 4.4: By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship
- 29 SDG Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 30 SDG Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- 31 SDG Target: 8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training
- 32 SDG Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment
- 33 SDG Target 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services
- 34 60% of median household income.
- 35 In Serbia the ESC actually determines the minimum cost of labour twice a year, which is then used for the calculation of the minimum wage
- 36 SDG Target 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality

