



**LABOUR MARKET SURVEY
THIRD REVIEW
NATO/PFP TRUST FUND PROJECT
REPUBLIC OF SERBIA**



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LIST OF TERMS AND ACRONYMS

ALMM	Active Labour Market Measures
ALMP	Active Labour Market Programmes
EC	European Commission
ETF	European Training Foundation
GDP	Gross Domestic Product
ILO	International Labour Organisation
LMS	Labour Market Survey
MoERD ¹	Ministry of Economy and Regional Development
MoTS	Ministry of Trade and Services
NES	National Employment Service
SEE countries	South and Eastern European Countries
SSO	Serbian Statistics Office
UNECE	United Nations Economic Commission for Europe
WB	World Bank

¹ Since new Government was nominated in May 2007, the Employment Sector was relocated from ex Ministry of Labour, Employment and Social Policy (today it is the Ministry of Labour and Social Policy) in the new Ministry of Economy and Regional Development

1. SUMMARY OF KEY FINDINGS

- During 2006 Serbia continued a progressive trend that was started since 2001. Continuously economic growth, inflation below the projected level, increased exports and foreign direct investment were the most important features of macroeconomic performance in 2006.
- In general, the highest growth rates were achieved in sectors such as transport, financial intermediation and construction. As analyses shows, the greatest growth were recorded in businesses which had undergone privatization and restructuring in recent years.
- Even with noteworthy GDP average growth at 5.3% in period 2001-2006, Serbia is still far away from other South-Eastern European (SEE) countries that started transition process more than decade ago. According to some analysts, even with extremely high annual GDP growth rate of 8% Serbia would need at least 20 years to reach the same development level as other transition countries.
- However, it has to be noticed that all regional development disparities are very visible. In opposite to Belgrade, Novi Sad and Niš, as the most developed cities, rest of Serbia, and particularly South Eastern Serbia, is lagging behind in economic development. Also, this low development is followed by the highest unemployment rates as well as the lowest disbursed earnings.
- Even with achieved macro-economic stability and economic growth, the Serbian labour market recorded negative figures in comparison with 2005: total number of employees was reduced by 1.9% and unemployment rate increased by 1.07%. Also, it has to be noticed unfavourable age and qualification structure of unemployed persons, significant participation rate of first-time job seekers in total unemployment as well as significant participation rate of long-term unemployed person in the total number of unemployed. Various labour market analyses indicate that discrepancy between labour supply and demand is mainly caused by inadequate and outdated knowledge and skills of unemployed persons.
- In compliance with the Labour Force Survey (LFS), out of total number of population in Serbia (almost 7.5 million people) 34.8% were employed, 9.1% were unemployed. As illustration, on almost four employed persons there is one unemployed.
- According to the official data, out of total number (registered) employees, majority works in manufactory (28.6%); whole sale, retail trade and repair services (13.4%) and agriculture (10.1%);
- There is no official analysis that indicates which sector of activity is the most perspective. In general, the National Employment Service gives the priority to activities related to communal infrastructure, environmental protection, manufacturing industry/recycling industry and old handicrafts. Also, each branch office, in cooperation with regional chamber of commerce, is obliged to create a list of priority economic activities that are of strategic importance (annual basis).
- In 2006, an average net wage grew by 24.1% in nominal terms, i.e. 11.2% in real terms (€256), while the greatest wage growth was achieved in private sector.
- Even with slightly increases of standard of living the citizens of Serbia are poorer than citizens of other transition countries. According to the Household Budget Survey, approximately 8.8% of population was classified as poor, while the South Eastern Serbia was the most affected.
- Creating of effective employment policy to combat raising unemployment is one of the major tasks facing Serbian Government. The active labour market programme (ALMP) is a useful policy instrument that includes a wide range of activities to stimulate employment and productivity. It intends to empower individuals through various opportunities to secure their inclusion in the labour

market. In Serbia, allocated funds from the annual state budget is limited, so in 2006 this program targeted only around 35% unemployed population.

- According to the experience, active labour market measures (ALMM) that shows the greatest impact are: job clubs; programmes for apprenticeships, talents and volunteers; and employment programmes for disabled persons, mainly due to the fact that these programmes refer to persons which have a higher level of employability.

2. INTRODUCTION

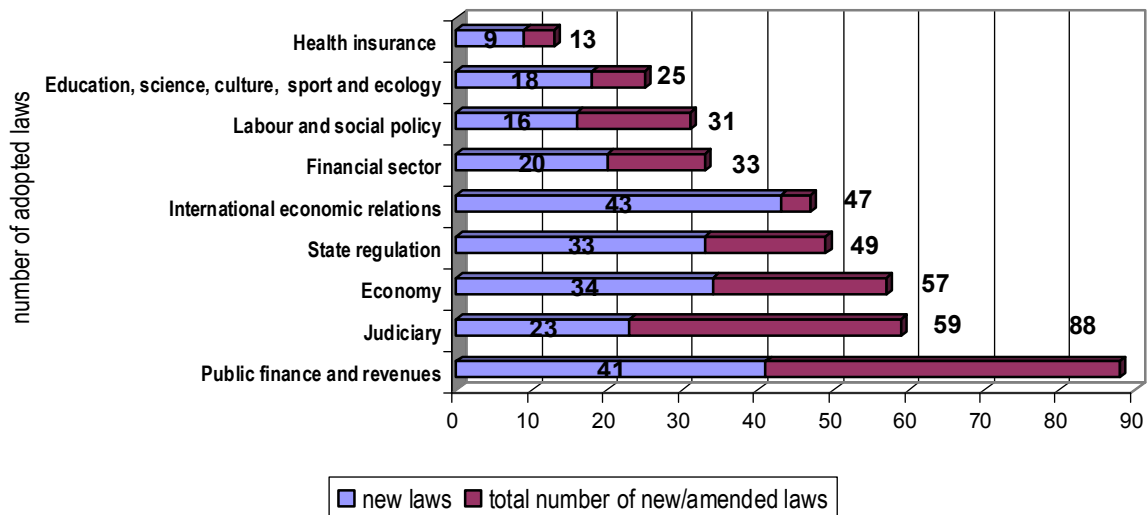
This third labour market survey builds on the findings of the two previous analyses that were conducted in period November – December 2006 & January – May 2007 and presented at the steering committee meetings in December 2006 and May 2007. All three analyses were made using the same methodology. Main source of data and information were received through the meetings with relevant representatives of the government institutions, as well as from official national documents, analyses and reports of relevant international organisations (the World Bank, the International Labour Organization (ILO), the European Commission (EC), the European Training Foundation (ETF), the United Nations Economic Commission for Europe (UNECE), and other relevant institutions).

This survey focuses on the macroeconomic and employment trend in Serbia in 2006; wage, consumer basket and standard of living; the implementation of active labour market programme in 2006 as well as the impact of active labour market measures (ALMM) on the creation of new employment.

3. MACROECONOMIC TRENDS IN THE REPUBLIC OF SERBIA

During 2006 Serbia continued a progressive trend that was started since 2001 on the way to functioning economy. In period 2001-2006 more that 400 laws were adopted², supported structural reforms and strategically orientation towards European integration. Out of total number of new/amended laws adopted in that period, 225 refer to economy, financial sector, international economic relations as well as taxes and public revenues.

Chart 1 **Laws adopted by the Parliament of the Republic of Serbia in period 2001-2006**



Source: Survey of the Republic of Serbia

Some of these “new/amended” laws certainly contributed to continuance of the economic growth trend, but still very slow implementation of the new “legislation” represent the burden of dynamic development. Furthermore, the difficulties which the Serbian economy is facing are still high unemployment rate, excessive public spending, tax burdens, expensive credits, lack of investments and monopoly type conduct.

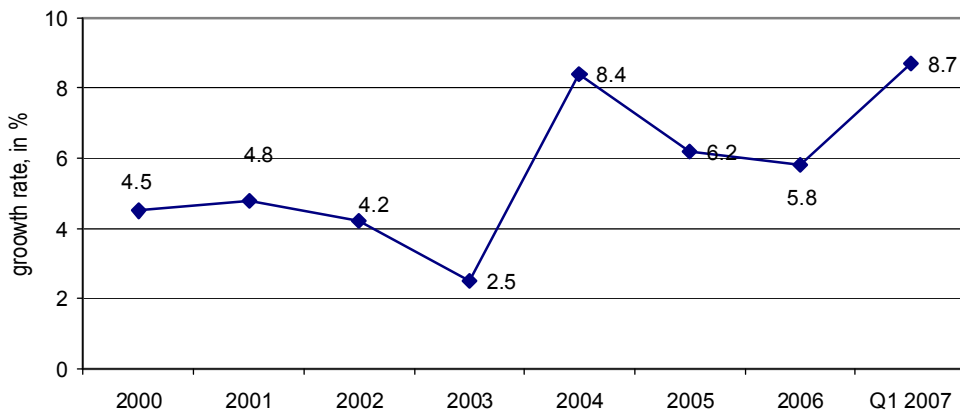
Continuously economic growth, inflation below the projected level, increased exports and foreign direct investment were the most important features of macroeconomic performance in 2006. At the end of 2006, positive trends were registered among the following indicators of the Serbian economy: industrial output, export, domestic and export orders, money deposit, average net wages and retail prices. In opposite, following economic indicators recorded negative trend: the foreign trade balance, the liquid assets of commercial banks and the total foreign currency reserves.

² Survey of the Republic of Serbia, no. 1, 2007

Economic activity measured by gross domestic product (GDP) at constant prices increased by 5.8% when comparing with 2005. The same trend continued in the first quarter 2007, when the GDP grew by 8.7% percent in comparison to the same period of 2005. It is important to emphasize that even more than 81% of the total GDP growth have been reached in Belgrade, Niš and Novi Sad area.

Chart 2

GDP, growth rate (2000-2006)



Source: Serbian Statistics Office (SSO)³

This significant economic growth in recent years, measured by the GDP, has improved an average living standard but official reports note that its impact on poverty reduction remains inconclusive.

Even with noteworthy GDP growth, Serbia is still far away from other SEE countries that started transition process more than decade ago. An average GDP growth for the period 2001-2006 was 5.3% in Serbia, while in the South-Eastern European (SEE) countries was 6.5%. Also, if Serbia continue with same average GDP growth, it will be possible to reach the GDP level from 1989 no sooner than 2015.

It has to be noted that regional disparities also stand out in Serbia. During the relatively short period of transition 2000-2005, Belgrade increased its share in GDP from 27.9% to 34%; Vojvodina reached its share from 30.7% to 31.2%, while Central Serbia without Belgrade reduced its share in GDP from 41.1% to 34.8%. According to the bulletin "Macroeconomic Analyses and Trends", published by the Economic Institute, apart from three biggest cities – Belgrade, Novi Sad and Niš, the rest of Serbia is lagging behind in economic development. In 2006 the city of Novi Sad, with a fascinating growth rate, have already reached the GDP level, last recorded in 1989; Belgrade will attain that level in 2009 and Niš in 2010. According to some economic analysts, even with extremely high annual GDP growth rate of 8% it would take at least 20 years (average) that Serbia reaches the same development level as other transition countries.

As summaries, according to the Serbian Statistics Office (SSO), in comparison with 2005, macroeconomic features for 2006 were as follows:

- GDP increased by 5.8% ;

³ <http://webzrs.statserb.sr.gov.yu/axd/en/drugastrana.php?Sifra=0001&izbor=odel&tab=30>

- The highest growth rates were achieved in following sectors: transport, financial intermediation and construction;
- Industrial production increased by 4.4% when comparing with 2005, while the greatest increase was noted in manufacturing (5%). Such output was the result of the positive effect of the so far completed process of privatization and restructuring of state companies. Particularly, the greatest growth were recorded in those industrial productions which had undergone substantial privatization or restructuring in recent years, i.e. food and beverages, tobacco, chemicals, rubber and plastic products and base metals. Privatised companies in Serbia have mostly reduced the number of employees, increased productivity, work discipline and have become more competitive;
- Foreign direct investment has been boosted, mainly due to privatization. At the moment, more than 70% of ex state enterprises are privatized⁴;
- 233 enterprises were sold by tender and auction generating a revenue of more than €262 million, of which €248.6 million have been injected in the economy;
- Total foreign trade recorded a growth of 31.2%, where a growth of exports was 43.3% and import 25.9%. Nevertheless, the foreign trade deficit is still registering a growth trend mainly due to the increase in imports of energy sources, copper ore and iron, as well as the growth of the demand on the Serbian market due to the better accessibility of consumers' credits;
- The inflation rate achieved in 2006 was 6.6% that is considerable lower than projected level of 9.3%. Also, this was the lowest inflation rate since the economic reforms started. According to some economic analysts⁵ the main reason is considerable appreciation of the national currency (RSD). According to some other analysts, this is mainly due to the drop in the prices of agriculture products and favourable circumstances, caused by the reduction of the oil products which curbed the growth of the price component in the group of industrial products.
- The number of employees decreased by 1.3% while decreasing was higher in female part of population;
- Comparing with 2005 an average net wage growth by 24.1% in nominal terms, i.e. 11.2% in real terms and it was €256. The greatest wage growth was achieved in private sector (29.3% in nominal and 15.8% in real terms), while the wage growth in state/social owned companies was 23.3% in nominal and 10.4% in real terms;

Regional differences in disbursed earning were still very remarkable. The highest average net wages were in Belgrade, Novi Sad and Smederevo area, while extremely low wages were disbursed in the region of the South-Eastern Serbia (Bele Palanka, Svrlijig, Lebane, Medveđa, Kuršumljija, Gadžin Han);

- In comparison with 2005, an average annual costs of living increased by 11.7%;
- During 2006 an average consumer basket for a four-member family household in Serbia exceeded by around 10%, when comparing with 2005, which indicates that standard of living is constantly undergoing a mild recovery;
- As estimated, annual retail price increased by 12.7%, while retail prices of industrial products increased growth by 12.2% and agricultural product by 17.7%. Increase of consumer prices was 11.6%. Through 2006, the prices of goods grew faster than prices of services, which were explained by the more or less similar dynamic of the prices of agricultural and industrial products.

⁴ <http://209.85.129.104/search?q=cache:U-84fByquhoJ:europa.eu/rapid/pressReleasesAction.do%3Freference%3DMEMO/06/412+progress+report+economy+Serbia+2006+2007&hl=en&ct=clnk&cd=8>

⁵ Quarterly Monitor of economic trends and policies in Serbia

4. THE MAIN FEATURES OF THE SERBIAN LABOUR MARKET IN 2006

In the process of economic reforms in the Serbia the most important challenge is creation of a favourable environment for employment-friendly economic growth that can lead to new job creation. This requires a consistent economic policy, multi-sector job agenda, reforms in the field of education and vocational education, completion of privatization and restructuring process as well as encouraging investment climate.

Even with achieved macro-economic stability and economic growth in 2006, the Serbian labour market recorded negative figures in comparison with 2005:

- Total number of employees (an annual average) were down by 1.9%;
- Unemployment rate increased by 1.07%;
- Unfavourable age and qualification structure of unemployed persons;
- Significant participation rate of first-time job seekers in the total number of unemployed (50.5%);
- Significant participation rate of long-term⁶ unemployed persons in the total number of unemployed (53.3%).

4.1 Labour force

According to the Serbian Statistics Office (SSO), in 2006 labour force numbered 3,273,931 persons out of which:

- Almost 62% (2,028,854) are employed (annual average);
- More than 10.1% (331,786) are working in the agriculture;
- Almost 28% (913,291) are unemployed persons (annual average).

4.2. Employment

In the period January – December 2006 general employment continued decreasing trend since 2001. In comparison to 2005, an average number of employees in 2006 were down by 1.9%. Mainly due to the process of privatisation and restructuring that is still ongoing, number of employees in private sector grew and at the end of 2006 it was 6.6% higher than in 2005, while number of employees in state/socially owned enterprises decreased by 4.8%. However, a constant growth of private sector is still insufficient to absorb redundant persons. Most redundant workers find it very difficult to get reemployed.

According to the official data, overall number of employees in 2006 (annual average) was around 2.03 million persons. Out of total number employees, majority works in manufactory (28.6%); then followed whole sale, retail trade and repair services (13.4%); and agriculture (10.1%).

There is no official analysis that indicates which sector activity is the most perspective, especially considering the fact that regional disparities are very evident. Also, each region has a different comparative advantages and obstacles. In order to identify perspective sectors/economic activities, on

⁶ According to the NES long-term unemployed refers to the unemployment longer than two years

annual basis each NES branch office is obliged to create a list of priority economic activities that are of strategic importance for regional economic development. This list is developed in cooperation with regional chambers of commerce and local government institutions. In general, activities related to communal infrastructure, environmental protection, manufacturing industry/recycling industry and old handicrafts have priority. In the 2007, the priority list by regions was as follows:

▪ **Belgrade area**

Tourism, manufacturing and food processing, textile industry, transport and telecommunications, old and art handicrafts, IT services, environmental management and information technology, energy (installation of gas and water), electro industry, manufacturing of transport equipment and machinery as well as construction.

▪ **Novi Sad area**

Producing and manufacturing of agricultural goods, manufacturing of food goods, wood manufacturing, manufacturing of wood products, construction, textile industry and production of ready-wear, metalworking industry, chemical industry, production handicrafts and service handicrafts.

▪ **Niš area**

Producing and manufacturing of agricultural and food goods, Textile industry, manufacturing of medicinal herbs and wild fruits, production and manufacturing of wood, metalworking industry, manufacturing and servicing of electrical equipment, transport and tourism and construction.

4.3 Unemployment

The problem of growing number of unemployed persons in Serbia has been among the largest for the state in recent years. According to the NES data, at the end of 2006 there were more than 1 million persons looking for a job. Out of that number 913,293 were unemployed (average number), which is 2.8% higher than in 2005. According to the Labour Force Survey (LFS)⁷ unemployment rate was 20.9%, which is substantially lower than of officially registered rate (SSO, NES) which was 27.9% in 2006, i.e. 1.07% higher in comparison with 2005. In any case, unemployment rate is significant higher than in other transition countries and especially below the average unemployment rate in EU countries that was 7.6% (the lowest level since 1993).

Table 1 Key labour market indicators for working age population (aged 15-64) in 2006

	Labor force survey*	Official data (NES, SSO)
Working age population - total number	3,323,716	/
Number of employees (annual average)	2,630,91	2,028,854
Number of unemployed persons (seeking for job)	693,024	1,005,595
Unemployment rate	20.8%	27.9%

* LFS conducted in October 2006

Source: LFS and NES

In general, the high unemployment rate is especially dominant in rural areas and in areas under deep economic restructuring process. The Southern and Southern-East municipalities of the Republic of Serbia are especially affected. As illustration, proportion between number of employees and number of unemployed persons is 1.3:1 in Leskovac, Vranje and Prokuplje areas, i.e. on 4 employees there are 3 unemployed persons.

Addition burden to Serbian labour market represent redundant persons. According to the NES data, only in 2006, more than 45,000 individuals were dedicated to be redundant, out of which the greatest number have been registered in Belgrade (12,413), Kragujevac (3,724), Kruševac (3,711) and Bor (3,069), while majority of them worked in sectors such as: manufacturing, wholesale and retail trade, mining and quarrying. According to official data, by the end of 2006 almost 28,000 persons became redundant.

In 2006 the highest official unemployment rates were registered in Sremska Mitovica area (40%), Prokuplje (37.4%), Zrenjanin (36.7%), Sombor (36%), Leskovac (35.9%) and Vranje (35.7%).

⁷ As it was noted in the 'Labour Market Survey, Preliminary Findings' issued in December 2006, there is significant differences between LFS and official data because of different methodology. The LFS is based on international standard and recommendations, which allow cross-country comparison. The main discrepancy between these two sources refers to employment/unemployment rate and number of employed/unemployed persons.

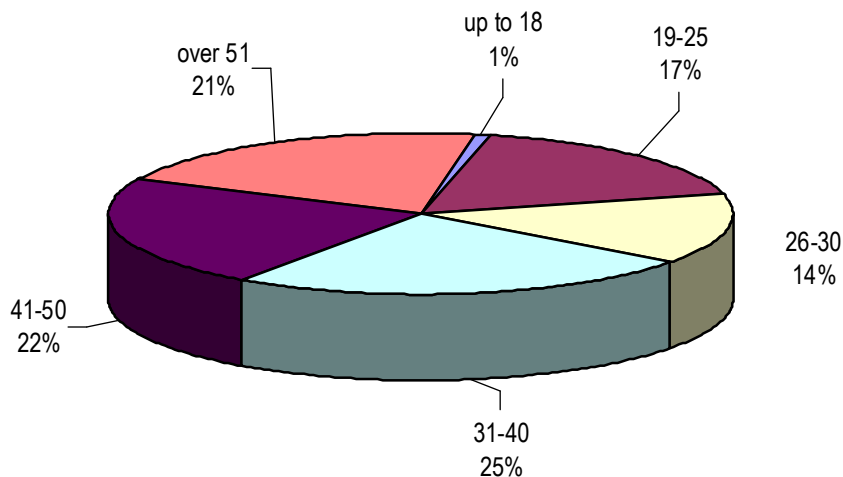
It has to be noticed that registered (un)employment do not provide an accurate information about real (un)employment, due to the fact that some people are registered only in order to receive some benefits (mainly health insurance). Also, some of them work in informal sector or grey economy. Out of total number of registered unemployed persons only a small proportion (around 8.2%) were receiving unemployment benefits/social assistance through the National Employment Service.

Out of total number registered unemployed persons, majority of them have education/skills in the filed of mechanical and mechanical processing industry (13.3%); tourism (9.2%); economy, law and administration (8.3%); textile and leather industry (6.3%) and food processing industry (5.5%).

Considering the age of unemployed persons, almost 47% was aged 31-50, approximately 21% aged more than 50, 18% aged 18-25 and 14.3% aged 26-30.

Chart 3

Unemployment per age (2006)



NES, Annual Report 2006

Long-term unemployment⁸ remained chronic. In 2006, more than 53% out of total number unemployed are long term unemployed. The participation rate of first-time job seekers in total number of the unemployed was slightly higher than participation rate of unemployed with previous working experience ant it was 50.5%.

⁸ According to the NES long-term unemployment refers to the unemployment longer than two years

5. WAGES, CONSUMER BASKET AND STANDARD OF LIVING

Comparing with 2005 an average net wage grew by 24.1% in nominal terms, i.e. 11.2% in real terms and it was €256. The greatest wage growth was achieved in private sector by 29.3% in nominal and 15.8% in real terms, while the wage growth in state/social owned companies was 23.3% in nominal and 10.4% in real terms.

Regarding the type of business, the highest wages (annual average) were achieved in tobacco industry (€716), financial intermediation (€593), air transport services (€533), insurance (€492) and real estate business (€491), while the lowest were disbursed in production of clothes and furs (€68), textile industry (€ 75) and wood production (€ 98). However, regional differences in disbursed earnings were still very remarkable. The highest average net wages⁹ (approximately figures) were in Belgrade (€320), Novi Sad (€ 300), Pančevo (€299) and Smederevo (€283) area, while extremely low wages (less than €130) were disbursed in the region of the South-Eastern Serbia (Bele Palanka, Svrlijig, Lebane, Blace, Vlasotince, Bojnik, Kuršumljija).

According to the official data, the average net wages exceeded the value of the minimum consumer basket¹⁰ for a four-member household in Serbia, but still not provide enough money for average basket¹¹ for four-household member family. Comparing with 2005, standard of living reached a mild growth.

Table 2 Average nominal net wages and consumer basket for four-member household family

	Average net wage	Average basket for 4-member family	Minimum basket for 4-member family	Ratio between average net wage and the average consumer basket	Ratio between average net wage and the minimum consumer basket
2005	210.8	279.2	174.1	0.76	1.21
2006	256	309.6	192.7	0.83	1.34

Source: Calculated on the basis of data from the SSO and the Ministry of Trade and Services

In 2006, inflation rate was 6.6%, which was the lowest registered since the start of the economic reforms. Annual average retail prices grew by 12.7 %, out of which the biggest increase of prices was in agricultural products (17.7%). Increase of consumer prices was 11.6% and the greatest growth were noticed of tobacco and beverages prices (14.6%), then follows transportation services (13.3%), housing

⁹ The amounts were calculated according to the middle exchange rate of the National Bank of Serbia (€1 = RSD84.57)

¹⁰ According to the MoTS, in December 2006 a minimum consumer basket consisted of food and beverages 58.6%; non-food goods and services 9.1%; dwelling, communications and transport 32.3%.

¹¹ According to the MoTS, in December 2006 the average consumer basket included: of food and beverages 57.3%; non-food goods and services 19.8%; dwelling, communications and transport 22.8%.

(12.9%), clothing and footwear (11.4%), hygiene and toilet requisites (11.3%) and education, culture and entertainment (10.8%).

Analyzing the National Budget Survey for 2006 it has to be noticed that a typical family spends their monthly budget on basis needs. In comparison with 2005, figures are almost same.

Table 3 **Structure of household fund in Serbia (2005, 2006)**

	2005	2006
Food and beverages	36%	39%
Dwelling, water, gas and other fuels	17%	16%
Transport	11%	10.60%
Clothes and footwear	6%	6.40%
Alcoholic drinks and tobacco	5%	4.40%
Furniture, household appliances and maintenance	5%	4.90%
Other goods and services	5%	4%
Recreation and culture	4%	4.80%
Health service	4%	4.10%
Communications	3%	3.20%
Education	2%	1.10%
Restaurants and hotels	2%	1.40%

Source: Serbian Statistics Office

It has to be noticed that figures related the standard of living, measured by minimum and average consumer basket, and are used just as a basic indicators. Trying to find a better solution, the Ministry of Trade and Services (MoTS) made an analysis on standard of living comparing a number of wages necessary for buying a specific piece of good (Annex I).

Even with slightly increase of wages and standard of living, the citizens of Serbia are poorer than citizens of other transition countries. According to the Household Budget Survey approximately 8.8% of Serbian population was classified as poor, since their consumption per consumer unit was on average below the poverty line. However, the non-urban population is two and a half times poorer than the population living in urban regions. The poverty index of non-urban population is some 50% higher in relation to the average of entire population and amounts to 13.3%. Also, the depth and severity of poverty of non-urban population was statistically higher in comparison to urban regions. Analyzing the regional distribution of poverty, figures are as follows:

- 10.7% of Central Serbia is poor
- 8.7% of population of Vojvodina is poor and
- 4.3% of population of Belgrade is poor

Comparing with other neighbouring transition countries, inequality between the richest and the poorest population in Serbia is higher than in Bosnia and Herzegovina and Slovenia, and is lower than in Macedonia, Bulgaria and Croatia.¹²

As it is specified by the poverty Reduction Strategy of the Republic of Serbia, the poorest citizens of Serbia are: citizens with a low level of education, labour inactive and unemployed population, the elderly, and children, households with six or more household members and households whose primary wage earner is a woman.

6. ACTIVE LABOUR MARKET PROGRAMME IN 2006

Active Labor Market Programmes (ALMPs) aims to contribute to increasing employment opportunities and addressing the social problems that often accompany high unemployment. They are considered as "active" programs in contrast to "passive" measures such as unemployment insurance or social transfers (unemployment benefits) designed to mitigate the financial hardships of the unemployed. ALMPs include a wide range of activities to stimulate employment and productivity and they are used in many countries to combat unemployment. It intends to empower individuals through various opportunities (vocational training, education, guidance or job-creation through various forms of subsidies) to secure their inclusion in the labour market.

In Serbia, the Ministry of Economy and Regional Development (MoERD) is relevant for creation of employment policy, while the National Employment Service (NES) its implementation. Regardless the importance of the ALMM, the allocation of funds from the annual state budget is still very limited and several times lower than in developed countries. In 2006 approximately €22.7 billion was provided for the ALMM, which is 0.07% of the GDP and 0.74% for passive measures. Envisaged budget for ALMP in 2007 is more 90% higher in comparison with 2005.

The number of registered unemployed persons participating in the ALMPs is relatively small. In period 2002-2004, around 4% unemployed persons participated in ALMPS, while in 2005 that share was around 11%. According to the NES's data, in 2006, the ALMP were implemented on 357,067 persons, i.e. targeted around 37% of the unemployed population or 35.5% out of the total number persons who were searching a job.

In 2006, the ALMP have been implemented through following activities that includes various sub-activities (more details are given in table below):

- Career guiding and counselling
 - Direct counselling on carrier development
 - Employment fairs
 - Job clubs – *programmes dedicated to individuals with lower level of employability including redundant persons*
 - Training in active job searching (*writing a CV, preparing for a job interview, individual job searching*)

¹² Poverty Reduction Strategy Implementation Focal Point of the Republic of Serbia Government, <http://www.prsp.sr.gov.yu/engleski/kolikoje.jsp>

- Encouragement of and self-employment training – target group are the most vulnerable individuals
- Programs of additional education and training
 - Elementary education for adults
 - Programmes for apprenticeships, talents and volunteers
 - Financial support to persons who enrolled in graduated studies
 - Foreign language courses
 - Basic computer training
 - Specialized computer training
 - Other additional knowledge and skills courses – (a) courses in accordance with employers needs, (b) courses in accordance with labour market needs and (c) virtual enterprises
 - Vocational re-training and additional training (acquiring new qualifications)
 - Virtual enterprises
- Development of entrepreneurship and employment programmes
 - Assistance through the business centres
 - Training on business creation (*though the regional agencies for small and medium sized enterprises development*)
 - Self-employment subsidies, in amount of around €1,100
This type of subsidies was dedicated to individuals with lower level of employability: younger than 27, disabled unemployed persons, unemployed parents, persons who are receiving social compensation, unemployed over 50 and long-term unemployed). Priority was given to the following activities: production, handicrafts, old handicrafts and intellectual services.
 - A one-off payment of self-employment compensation
Unemployed persons who are receiving social compensation on monthly level can replace this type of assistance with a one-off payment in order to start its own business.
 - Subsidies to employers for new employment, in amount of
This measure was not attractive to employers, mainly due to the fact that they have been obliged to submit a great number of documentation each month for relatively small amount of money (less than 20% of salary), so this funds were transferred to regional and self-employment programmes.
 - Regional employment programmes – *This programme aims to foster employment in the field of activities of specific strategic importance for regional development. It is implemented through incentives/subsidies for fitting up the working place with necessary equipment. These subsidies up to €1,100 are dedicated to success employers who are interested to employ more than 5 persons (mainly redundant).*
 - Subsidies for new employment for disabled persons, in amount of approximately €1,100.
This programme is implemented through fitting up the working place and/or through following options:

- (a) *Salary support in amount up to 80% of average state/regional salary with duration of 12 months, while employer is obliged to conclude the working contact with duration not less than 2 years;*
 - (b) *Subsidies for mandatory social security contributions which are supposed to be paid by employer.*
- *Subsidies for mandatory social security contributions which are supposed to be paid by employer (regulated by the Law on Contributions for Mandatory Social Insurance ‘Official Gazette RS’, no 84/04, 61/05 and 65/05, article 45).*
 - *Public works – also known as temporary community programmes, labour-incentive projects and welfare. This measure is expected to alleviate unemployment of short term poverty by creating temporary jobs for poor and long-term unemployed workers.*

Also, in cooperation with the Serbian Development Fund, the NES supported 3,547 unemployed persons through micro loans dedicated for start up business. The allocated loans were between €5,000 to €20,000, with interest rate of 1% and repayment period of five years. This programme is implemented on annual basis and terms and conditions are variable from one year to another.

Detail overview on ALMM implemented in 2006 as well as number of unemployed persons covered by them can be found in Annex III.

Thanks to ALMM, a total of 62,534 persons were employed in 2006, out of which more than 70% persons used counselling and activation services, almost 7% used programmes for additional education and training and around 23% used programmes of employment and entrepreneurship.

The most expensive measures are job creation programmes, such as different types of subsidies for new employment or self-employment, in opposite to group and/or individual counselling.

According to the relevant representatives MoERD, ALMM that shows the greatest impact are: job clubs; programmes for apprenticeships, talents and volunteers; and employment programmes for disabled persons. It is mainly due to the fact that these programmes refer to persons which have a higher level of employability.

The most vulnerable groups are youth, women and individuals with lower level education. Analysing the background of redundant persons it has to be noticed that are mainly older, less flexible, with lower level of education and profession for which there is no demand, so this group can also be considered as vulnerable.

Many evaluation studies placed serious doubts on the effectiveness of the ALMPs so far. First, the effectiveness of the active labour market programmes (ALMP) is likely to depend on the organization and characteristics of the employment offices as well as on the counselling strategies. Second, past research has shown that the effectiveness of ALMP programmes strongly depends on an appropriate selection of participants. The World Bank made a study on impacts of the ALMPs based on international experience¹³. Analyses shows that positive effects of each measure are not guaranteed. However, this

¹³ G. Betcherman, K. Olivas and A. Dar - ‘Impacts of Active Labour Market Programs: New Evidence from Evaluations with Particular Attention to Developing Transition Countries’ – Social Protection Discussion Paper, Washington DC (January 2004)

research indicates that employment services have generally positive effects when economy is good, while impact is limited where lack of labour demand. The summarised results are in the Annex IV.

7. CONCLUSIONS

Despite the macroeconomic reforms that have taken place, a number of obstacles remained. Some of them are linked to political environment/decisions while some of them are result of inconsistent economic development policy. One of the major challenges for the Serbian labour market is to create an adequate number of high-quality and secure jobs to absorb workers made redundant through the privatization process, unemployed individuals and new entrants.

According to the experience got in the past couple years, as well experience of other transition counties, private sector is a main source of employment creation. Sectors that most recruit are manufactory (28.6%); then followed whole sale, retail trade and repair services (13.4%); and agriculture (10.1%). In accordance with available analyses and research of the Serbian labour market the most perspective sectors, in general, are: food processing, small industry (handicrafts), tourism and IT services.

However, all above mentioned can not be applied to the whole territory of Serbia. Regional disparities are very remarkable, both in terms of economic development and poverty. In particular, Belgrade, Niš and Novi Sad areas are the most developed regions, while the rest of Serbia is lagging behind in economic development. Vojvodina, as the most developed province, offers great opportunities for further and intensive agricultural development, while the Southern and Southern-East region of the Republic of Serbia is one of the least developed areas in the Balkans. This area is characterized by the lowest national ranking in terms of GDP per capita, a lack of private investments, a low capacity to undertake entrepreneurial activities, an absence of credit facilities, high unemployment and migration of skilled labour.

In general, the high unemployment rate is especially dominant in rural areas and in areas under deep economic restructuring process, while redundant persons represent addition burden to economy. This category is also covered by existing ALMP that offers various types of assistance. As experience shows, the most effective measures are job clubs, programmes for apprenticeships, talents and volunteers; and employment programmes for disabled persons.

As surmise, solving the problems of unemployment and redundant persons, as specific group of unemployed individuals, requires a consistent economic policy, multi-sector job agenda, reforms in the field of education and vocational education, encouraging investment climate as well as completion of privatization and restructuring process.

Annex I

SOURCES OF INFORMATION

- Commission of the European Community 'Serbia 2006 Progress Report' - Brussels (November 2006)
- Economic and Social Policy Institute (ESPI) 'Assessment of the Effectiveness of Active Labour Market Programmes', September 2006
- European Training Foundation 'Labour Market Review of Serbia' – Working paper (September 2005)
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- World Bank (G. Betcherman, K. Olivas and A. Dar) 'Impacts of Active Labour Market Programs: New Evidence from Evaluations with Particular Attention to Developing Transition Countries' – Social Protection Discussion Paper 0402, Washington DC (January 2004)
- World Bank 'Serbian Labour Market Assessment' (September 2006)

THE MOST RELEVANT MEETINGS

May / September 2007

Name	Position	Institution
Svetlana Aksentijević	Head of Statistics Department	NES
Mladen Radović	Head of Department for Price Policy and Consumer Protection	MoTS
Radmila Bukumirić Katić	Assistant Minister – Employment Sector	MoERD
Milena Prica	Head of Department for ALMM	MoERD
Tatjana Prijic	Head of Legal department – Employment Sector	MoERD

Annex II**Analyses of the Standard of Living Trend in Serbia (2001-2007),
Ministry of Trade and Services**

Goods	May-01	May-02	May-03	May-04	May-05	May-06	May-07
Refrigerator	3.6	1.9	1.4	1.2	1.1	0.9	0.7
Range	2.9	1.7	1.4	1.2	1	0.9	0.6
Washing machine	4.2	2.3	1.8	1.5	1.3	1.1	0.8
Television set	3.5	1.9	1.3	1	0.8	0.6	0.5
	48.3	29.1	22.9	19.7	17.7	18.4	14.4

Food	May-01	May-02	May-03	May-04	May-05	May-06	May-07
Oil	91	126	183	219	237	238	359
Sugar	123	189	277	336	333	364	407
Pork	21	42	64	66	56	70	115
Milk	203	390	471	506	543	568	660
Yogurt	126	230	305	322	324	339	413
Coffee	19	38	48	47	43	41	49
Mineral water	304	529	606	699	444	565	705
Chocolate	13	21	24	27	28	30	37
Potato	157	521	626	406	1,140	433	996
Cabbage	311	411	468	997	406	572	1,233
Tomato	60	115	106	129	139	133	205
Pepper	237	264	277	448	373	407	488
Lemon	82	137	152	190	194	269	342
Eggs	1,144	2,046	2,667	2,757	2,298	3,725	3,676
Wheat flour	198	356	472	356	671	839	884

Source: Ministry of Trade and Services

Annex III

Active labour market measures in 2006

ALMM	number of persons covered by measure
Career guiding and counselling	318,136
Direct counselling on carrier development	243,339
Employment fairs	33,857
Job clubs	1,413
Training on active job searching	38,607
Encouragement of and self-employment training	920
Programmes of additional education and training	11,794
Elementary education for adults	59
Programmes for apprenticeships, talents and volunteers	6,106
Financial support to persons who enrolled in graduated studies	205
Foreign language courses	726
Basic computes training	1,257
Specialised computer training	871
Prequalification and additional education	2,435
Virtual enterprises	135
Development of entrepreneurship and employment programmes	27,137
Assistance through business centres	9,990
Training on business creation	6,954
Self-employment subsidies	4,942
A one-off payment of self-employment compensation	516
Subsidies for new employment	6
Regional employment programmes	3,007
Subsidies for new employment for disabled persons	208
Public works	1,514
TOTAL	357,067

Source: NES, Annual Report (2006)

Annex IV

Impact of the ALMPs, based on international experience

ALMM	Summary of overall impact	Comments
Employment services	Generally positive impacts on employment and earnings. Costs relatively low, so cost benefit ratio usually positive	Programmes have most positive impacts when economy is good. Impact limited where lack of labour demand
Training for unemployed	Positive impacts on employment but no overall effect on earnings in developed countries	Programme effectiveness benefit from on-the-job training and employer involvement. Women often seem to benefit more than men. Programmes have most success when economy is good
Retraining for workers in mass layoffs	Often no positive impact on employment and earnings, but there are exceptions	Better results may be achieved with integrated training and employment services.
Training for youth	Very negative impacts on employment and earnings in developed countries, through some positive impact in developing countries (Latin America)	Youth employment problems more effectively addressed through earlier, education-related interventions. Successful programmes require intensive services and thus are costly.
Wage/employment subsidies	Overall negative impacts on employment and earnings	Recent evaluations in developed countries more favourable (welfare-to-work programmes)
Public works	Overall negative effects on future employment and earnings	Can be effective as a short-term safety net for the poor but generally not as programme to improve labour market protects
Microenterprise/self-employment assistance	Not enough market-oriented evaluations to determine overall employment and earning impacts	Very low take-up. Some evidence of positive impacts for older, better educated individuals. Better results when advisory service accompany financial aid.

Source: World Bank (G. Betcherman, K. Olivas and A. Dar) 'Impacts of Active Labour Market Programs: New Evidence from Evaluations with Particular Attention to Developing Transition Countries'