



Policy makers' response to labour market issues resulting from COVID-19 pandemic in Serbia

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Foreword

This report presents the results from the research project “*Social Stability in Serbia Challenged? Pandemics, Economic losses, Inequality and Policy Responses*” (INEQ-RS-COVID-19), within the framework of Special Research Program on COVID-19, run by the Science Fund of the Republic of Serbia. The report outlines the main challenges that policy makers in the field of labour policy in Serbia experienced in the context of COVID-19 pandemic onset and policy response applied by the PES as the institution having the central role in providing active labour market support policy. Special focus of the report has been on the vulnerable labour market groups and support measures that were conducted to maintain and strengthen their employability perspectives.

The writing of this report was carried out by a group of researchers from the Institute of Economic Sciences (IES), from Belgrade, Serbia. The research was conducted during the period February-June 2022, by Mihajlo Djukic (senior researcher on the project) and Lara Lebedinski (senior researcher). We are grateful for the support of Marko Vladislavjević (principal investigator and project coordinator), colleagues from the Institute for Evaluations and Social Analyses from Prague (Czech Republic) and Desanka Mihailovic Kovac (National Employment Service of the Republic of Serbia) who provided timely and valuable comments on initial versions of the report.

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Authors

Executive summary

In order to minimize the adverse health impact of the COVID-19, that would also sooner or later, spill over the overall economic potential of the Serbian economy and overall wellbeing, Government introduced state of emergency paralyzing business activities in many domains. State of emergency lasted for almost two months (by May 6th, 2020), whereas other virus containment measures were gradually withdrawn throughout the 2020. Applied measures aimed at preventing greater health and economic damages however resulted in certain economic losses, particularly ones that directly depend on population mobility and direct contacts between subjects of economic demand and supply. This report outlines the main challenges that policy makers had when developing and implementing programmes aimed at achieving stability in the labour market. Special focus of the report has been on the vulnerable labour market groups and support measures that were conducted to maintain and strengthen their employability perspectives.

Prioritising importance of timely response that would cover all of the potentially affected workers, Government decided to adopt measures with near-universal character. Such approach had undoubtful advantages referring primarily to the fact that all enterprises, and the SMEs in particular, enjoyed support to maintain the pre-crisis employment levels. Universal measures were also simpler to manage and control from the administrative point of view. However, implementing this approach left less funds to support more severely affected workers and sectors that require stronger support to avoid bankruptcy.

Previous analysis conducted by IES (2020) showed that generous support measures provided lifeline for the most of businesses in Serbia, while aggregate labour market indicators showed large degree of resilience. Some sectors (eg. ICT) even continued to grow enjoying positive impulse from the pre-crisis period. On the hand, there were noticeable difficulties occurring in the sectors which require direct contacts and employ greater share of the informal workers (arts and entertainment, agriculture, etc.). The most vulnerable groups were strongly affected. Low-educated and workers with less experience including youth and people living in Southeastern region experienced lower employer levels. Although active labour market policy were mainly conducted in accordance with initial plans, and related budget recorded increase in 2021 if compared to previous years, it seems that aforementioned subgroups require more systemic support as COVID-19 only revealed their vulnerabilities inherited from the pre-crisis period. Therefore, the main policy implications refer to:

- Development of the custom-based measures to support employment of the hard-to-employ population such as long-term unemployed and older population
- Development of the PES capacities at the regional level in order to provide greater support to unemployed in underdeveloped parts of the country
- More collaborative approach in targeting vulnerable youth population and implementing youth employment policy interventions

Introduction

Facing the largest external shock on the economic activity in which the world found itself since the Second World War, Serbian Government introduced generous fiscal package to support economy. The main objective of the implemented fiscal stimulus programme was to prevent translation of the external shock to the local labour market which could result in greater job losses. Although Government succeeded in achieving stability, it should be noted that the measures directed to the formal labour market were universal, regardless of the risks sectors were facing, while the position of the vulnerable labour market groups had not been addressed.

This report provides outline of the main the challenges being put ahead of policy makers in the context of COVID-19 pandemic onset and policy response applied by the PES having the central role in providing active labour market support policy. In the first paragraph, it has been summarized the overall impact of the COVID-19 on the labour market. It also provides main labour market trends and challenges in Serbia before the crisis including the position of the most vulnerable groups. Second chapter provides analysis of the institutional response towards new challenges with a particular focus on the activities pursued by PES including the initiation of the “My First Salary programme”. Elaboration provided in the third chapter underlines the gap between the existing labour market programmes and noticeable vulnerabilities of the Serbian labour market. Within this chapter, we provided brief argumentation behind necessity of applying more specific active labour market policies, out of which some of the very important and comprehensive are already planned by the end of 2022 (“Youth Guarantee”). Finally, the last chapter provides main inputs with regards to future policy priorities.

1. The impact of COVID-19 on the labour market

COVID-19 as a global phenomenon was an external shock which had tremendous impact on a global economy. Initially, it had an immense impact on the supply side of the economy, having particularly negative consequences to the sectors affected by the social distancing measures such as transport, tourism, entertainment and construction services. However, resulting from the economic slowdown in these sectors coupled with subsequent delays in consumption and investments, crisis has gradually spilled over to other economic sectors influencing strong decline of the aggregate demand. Similarly to other economies, crisis had strong impact on the Serbian economy resulting in economic slowdown and affecting the labour market indicators. Worsening of the economic indicators in Serbia was slightly lower if compared to the majority of the neighbouring economies including the EU members, partly due to economic structure of the economy being less dependent to tourism and other sectors highly dependent on physical interactions. However, the crisis had significant consequences to the labour market, particularly on the position of the most vulnerable groups and vulnerable types of employment.

ILO estimates from September 2020 reported that potential overall decrease in working hours in Serbia could reach 14.8% during the second quarter 2020, which is roughly equal to the loss of 510,000 full time jobs assuming the 40 hours working week (ILO, 2020). However,

it should be noted that more exact calculation required taking into account employees not working full-time and ones sent to vacation due to new economic circumstances. If the economic sectors are considered, ILO analyses conducted in mid 2020, estimate 700,000 persons are at high risk of job losses, mainly self-employed and those working in informal sector. With regards to the company size, the most heavily affected were micro enterprises, out of which one in four suspended activities during the second quarter 2020 (Serbian Association of Employers, 2021).

As reported in LFS, labour market indicators in 2020, did not follow completely pessimistic scenario. The overall employment rate (population 15+) even increased by 0.1 percentage point in 2020 if compared to 2019, unlike the 0.8 percentage points decrease in the EU. The unemployment rate decreased by 1.4 percentage points. It should be however noted that unemployment reduction primarily resulted from the rise of inactivity rate reflecting the inability of regular job search activities during the lockdown (IES, 2020). Additionally, solid aggregate indicators could blur some of the structural problems present in the Serbian labour market and particularly referring to the vulnerable position of specific subgroups. Namely, the IES (2020) research showed that:

- the number of informal and formal temporary workers decreased in 2020 by about 10% and 6%
- the number of working hours of seasonal and temporary jobs reduced by 11%
- every third worker in the accommodation and food services sector faced unpaid leave and wage reductions
- Number of informal jobs in agricultural sector reduced by 14%
- Employment of the low-educated reduced by 2.4 and 3 percentage points in Q3 and Q4 in 2020, whereas youth experienced 2% lower earnings.

In order to prevent adverse effects of the COVID-19, Serbian Government introduced fiscal package support, significantly more generous if compared to other European economies. It was aimed at preventing negative impact of the crisis to the overall economy, although the ultimate goal was to maintain employment levels that were jeopardized as a result of external shock. Fiscal stimulus including support to employers and universal support to all citizens, among others, resulted in satisfying economic outcomes. GDP decrease in 2020 amounted to only 1 percent. Government subsidies resulted with even slightly higher employment at the end of 2020, despite recorded increase of the inactivity rate. However, it should be noted that social impact of the crisis reflecting in greater income and social inequalities should not be neglected.

In the following sections, it will be elaborated labour market trends prior to COVID-19 pandemic onset and the effects that pandemic had on the specific population groups, especially youth and other vulnerable groups.

1.1. Labour market trends before the onset of the COVID-19 pandemic

Serbian economy has shown relatively solid performances over the period before the pandemic (2014-2019). Improvement of the macroeconomic trends since 2014 also translated to the labour market through increase of employment and activity, consequently

reducing the overall unemployment rate. Activity rate (Table 2.) at the end of 2019 reached 68.1% (EUROSTAT, 2021) while the employment rate accounted for 60% of the overall working population (ILO, 2021). At the same time, gender gaps in both activity and employment rates also reduced. Unemployment rate (Table 1.) at the end of 2019 amounted to 10.5%, out of which almost 60% unemployed were classified as long-term unemployed being in the unemployment status more than 12 months (EUROSTAT, 2021).

Table 1. Unemployment rates (from 15 to 74 years) in Serbia and EU-27, %

	2014	2015	2016	2017	2018	2019	2020	2021
Serbia	19.4	17.8	15.4	13.6	12.8	10.5	9.1	11.1
Serbia - Male	18.5	16.9	14.8	13.0	12.1	10.0	8.8	10.2
Serbia - Female	20.5	18.8	16.2	14.4	13.8	11.2	9.5	12.1
European Union - 27 countries (from 2020)	10.9	10.1	9.1	8.2	7.3	6.7	7.1	7.0
EU-27 - Male	10.7	9.9	8.9	7.9	7.0	6.4	6.8	6.7
EU-27 - Female	11.1	10.2	9.4	8.5	7.6	7.1	7.4	7.4

Source: Eurostat,

https://ec.europa.eu/eurostat/databrowser/view/une_rt_a/default/table?lang=en

Although showing declining trends, youth unemployment rate and NEET rate in Serbia were both still significantly higher if compared to the EU. In 2019, share of youth in NEET status accounted for 18.9% of the total youth population (15-24 years old), which is 7.3 percentage points reduction over the seven years period.

Table 2. Inactivity rate (from 15 to 64 years) in Serbia and EU-27

	2014	2015	2016	2017	2018	2019	2020	2021
Serbia	36.6	36.3	34.4	33.3	32.2	31.9	32.3	29.7
Male	28.5	28.3	26.9	26.2	24.9	25.0	25.4	22.5
Female	44.6	44.3	41.8	40.4	39.4	38.7	39.2	37.0
European Union - 27 countries (from 2020)	28.4	28.1	27.7	27.3	26.9	26.6	27.3	26.4
Male	22.5	22.3	22.1	21.7	21.3	21.1	21.8	21.3
Female	34.2	33.9	33.4	32.9	32.5	32.1	32.7	31.5

Source: Eurostat,

https://ec.europa.eu/eurostat/databrowser/view/lfsa_ipga/default/table?lang=en

Table 3. Youth unemployment and NEET rate (15-24 years old) in Serbia and EU

Youth unemployment	2014	2015	2016	2017	2018	2019	2020	2021
EU - 27	24.1	22.4	20.7	18.5	16.7	15.6	17.6	16.6
Serbia	49.1	44.6	36.2	33.1	30.8	28.6	27.7	26.4
NEET rate								
EU - 27	13.3	12.9	12.3	11.6	11.0	10.6	11.6	10.8
Serbia	21.0	20.4	18.0	17.4	16.7	15.5	16.1	16.4

Source: Eurostat, <https://ec.europa.eu/eurostat/web/lfs/data/database>

1.2. Impact of COVID-19 on the labour market and position of the vulnerable population

Although, at the first glance, aggregate economic indicators did not indicate strong impact of the crisis on the citizens wellbeing, a slightly more profound analysis of the Serbian labour market structure shows that COVID-19 shock was an earthquake which has left severe consequences on the working status and overall position of specific subgroups in the labour market. As an illustration, ILO global estimates indicate decline of earnings of employees employed in the informal sector by 28% in average (ILO, 2020). This could be particularly relevant for Serbia that experiences low employment quality with around 18.2% of the population employed in the informal sector, particularly young men (25 to 54 years old), older workers, less educated and those employed in less developed regions. Perugini and Vladisavljevic (2020) confirm that workers already being in vulnerable position (low-income, temporary workers, youth, female and employed in small enterprises) have greater chance of being negatively affected by the current crisis. At the same time, challenges are greater for the policy makers in economies facing greater income inequalities.

As reported by IES (2021), there are three main consequences that pandemic had on the vulnerable working groups:

- Due to limited supply of the temporary jobs over the crisis period, the number of temporary employed informal and formal workers decreased by 10% and 6% respectively. This is however expected and in line with experiences from previous crises, since employers tend to lay-off workers avoiding legal obstacles. This is the case of employees employed under non-standard contracts (eg. temporary working contracts, contracts on professional development or contracts on additional work). The greatest reduction in working hours was recorded among self-employed and seasonal workers. For that reason, the former also experienced a 10% decline in earnings despite the Government subsidies.
- The most heavily affected sectors in the formal economy were accommodation and food services, where one-third of workers experienced unpaid leave and wage reductions. The largest number of informal jobs were lost in the agriculture sector, where the number of formal jobs remained stable, while the number of informally employed reduced by 14%. On the other hand, some sectors experienced increase in employment (ICT services, Trade services and Construction sector), whereas in others increase in formal employment was completely offset by decrease of informal workers (processing industry). HORECA sector experienced the largest decline when fall of business revenues is considered (Udovicki and Medic, 2021). Considerably different impact of the crisis across sectors also puts question mark under the universal character of the applied subsidies.
- The most heavily affected groups in the labour market were low-educated, youth and population living in the Southeastern part of Serbia. By reducing employment opportunities for these groups, the crisis had severe impact on widening labour market inequalities. Youth is the only vulnerable group that experienced decline in earnings. These findings are also in line with previous OECD estimates (2021) suggesting that average decline in working hours for the low-educated was about three times higher if compared to population with higher education. Employment and activity rates within

low-educated group in Serbia in 2020 reduced by 6 and 8% respectively. As a comparison, employment decline among workforce with higher education was negligible amounting to 0.5% (Arandarenko, 2021).

There could be also noticed two important consequences of the crisis on the Serbian labour market. The first one refers to change in working patterns and transition to remote working mode. In line with pre-crisis trends, information and communication technology sector continued to have upward trend followed by increase of employment and exports. During the crisis, this sector created additional 6,500 jobs particularly benefiting from the remote work possibilities. On the other hand, the second important consequence refers to challenges related to working rights and the fact that some employers failed to provide compensations during sick leaves or forced employees to use vacation days during the crisis period (IES, 2021). Moreover, Bradas et al. (2020) provide several arguments obtained in the field research supporting the thesis that protection of workers' rights in Serbia failed to meet challenges arising from the pandemic reality. Namely, they detected several important issues to signalize deterioration of the working rights and illegitimate practices pursued by employers without proper monitoring and reaction of the state institutions:

- Violation of the obligation to provide reasonable period of notice in the case of redundancy
- Threatening of the workers' right to safe and healthy working environment
- A lack of public transport as a barrier to exercise the right to work
- Employers' failing to provide solution-finding programmes for employee redundancy
- Forced unpaid leaves in case employee did not request unpaid leave
- Frequent practice of unpaid work or paying out minimum wages even in cases where there are sufficient funds to pay regular salaries as determined by the employment contract
- The limit of maximum 10% employees being redundant to qualify for the fiscal support measures included only employees hired indefinitely
- Limited space for union activities, etc.

Bradas et al. (2020) suggest the position of the following working groups has been particularly aggravated due to pandemic:

- Workers without or with lower qualifications and collectors of secondary working materials in particular (rough estimates indicate between 35,000 and 55,000 people fall into this group)
- Hard-to-employ groups – Roma, people with disabilities, youth and female
- Frontline workers (health professionals, employees in residential-type social protection institutions, etc.)
- Workers unable to work from home due to nature of their occupation
- Workers who switched to working from home
- Employed in precarious forms of work
- Employed in informal economy

2. Policy response to COVID-19 crisis

2.1. Government fiscal support programme

As per conservative estimates of the Fiscal Council of the Republic of Serbia, Serbian Government allocated 5.4 bln EUR as a fiscal support programme aimed at preventing adverse effects of the health crisis to the economic activity over the period 2020-2022. Government officials often report the overall support amounting to 8.8 bln EUR¹, although this figure should be taken with a grain of salt since it probably includes debt guarantees, which could happen only in the case of default and covers only 25% of the overall debt. Nevertheless, it has been the most generous fiscal stimulus if compared to other Central and Eastern Europe economies. The largest part of the programme refers to direct financial support to economic entities, reimbursed per employee, since the main objective of the fiscal support was to prevent excessive decrease of employment. Around two third of the overall spending was reimbursed in 2020. In total 1.2 bln EUR and 500 mln EUR was allocated to the economic entities in the form of subsidies in 2020 and 2021 respectively (Fiscal Council, 2022). As per Fiscal Council estimates based on official data (IMF, MoF and SORS) the total support accounted for 10.4% of the GDP, out of which around 4.8% was directly injected to support enterprises.

Fiscal support for business entities included two set of measures – one for entrepreneurs, micro, small and medium enterprises and the other one for large enterprises. First group involved subsidies in the amount of net minimum wage for three months (March, April and May) for each employee. In order to receive support, enterprises had to prove that the total number of employees is at least 90% of the employed before the crisis. This type of subsidies has been received by 1,050,000 employees in total. The measure has been extended for additional two months in the amount of 60% of the minimum net wage per employee. One of the main characteristics of the applied measures is their non-selective character as subsidies were paid to all enterprises neglecting whether their business has been affected by crisis or not. CEVES estimates indicate that around 25% enterprises received financial support without experiencing financial losses over the observed period (CEVES, 2020). Support to large enterprises was less generous covering 50% of the minimum wage for the workers on forced leave, whereas interest of the large enterprises was also considerably lower if compared to small and medium-sized companies.

In addition to direct employment support measures, the Government additionally stimulated aggregate demand through direct non-selective payments to all citizens. In 2020, through this set of measures Government paid 100 EUR to all citizens and 4,000 ths RSD to retired population. In 2021, it was paid 60 EUR to all citizens, 3,000 ths RSD to all vaccinated citizens and 50 EUR to retired. Finally, youth population received 100 EUR support over the two rounds in March and June 2022 respectively. Other important fiscal measures provided include as follows (KPMG, 2020):

- Loans to business entities aimed at maintaining working capital and liquidity in the amount of 200 mln EUR

¹ <http://www.tanjug.rs/full-view.aspx?izb=734118>

- Guarantee scheme for loans in the amount of 2 bln EUR
- Tax payment deferrals
- Two moratoriums on debt payments
- Subsidies for hotels and accommodation service providers

2.2. PES and active labour market policies in Serbia

PES in Serbia in 2020 did not change its approach and used the same set of policy measures in regard to the pre-crisis period. Such a practice could be observed in most of economies worldwide. Measures applied by PES were defined within the National Employment Strategy 2021-2026. The overall objective of the Strategy refers to achieving stable and sustainable employment growth based on knowledge and dignified work, respecting the following specific objectives (National Employment Strategy 2021-2026):

1. Achieved growth of quality employment through cross-sectoral measures aimed at improving labor supply and demand;
2. Improved position of unemployed persons on the labor market;
3. Improved institutional framework for employment policy.

Labour market policies mainly refer to the specific objectives 1 and 2, through which PES aims to both provide support to unemployed in finding adequate jobs and strengthen their employability skills, and to improve the job quality of the employed persons. Set of deployed measures include:

- Support to active job search
- Trainings and vocational education programmes
- Employment subsidies
- Public works
- Entrepreneurship support programmes

Among the applied measures, measures within the first group including various types of trainings aimed at strengthening employability, self-employment skills and skills for active job search are relatively cheap, also considered to have minor effects on the overall employment. They could be assessed as massive with relatively high population coverage, with a relatively stable number of participants covered on the annual basis (Arandarenko, 2021). Remaining four measures on the other hand require more funds. However, they also have much more potential in terms of achieving desired outcomes.

As per PES reports, support to active job search include employment mediation activities and provision of professional career management support (Table A1.) and active job search measures (Table A2.). Envisaged number of participants was relatively stable in the observed period - 2019 (pre-crisis) and 2020-2021 (during the crisis). It should be noted that realization of the plans was lower in 2020 following introduction of the social distancing measures. All measures requiring direct contact between PES officers and the users of the PES services including unemployed and employers were affected by the crisis resulting in relatively lower coverage in 2020 if compared to 2019 and 2021. Visit to employers were around 33% lower if compared to the initial plan, while counseling participation was around

30% lower (Table A1.). Almost all activities related to active job search including active job search training, job fairs and job search clubs suffered due the crisis (Table A2). Realisation of the active job search training as the most massive measure was around 40% lower if compared to the plan, while self-efficacy trainings and job search clubs had around 36% and 40% coverage respectively.

Programmes of vocational education, employment subsidies, public works and entrepreneurship development programmes are often considered as “real” active labour market policy measures. While implementation of the vocational education programmes was severely affected by the crisis reducing the realization of the plan by 90% in the case of trainings and 25% in the case of providing professional internship, providing subsidies was implemented in accordance with initial plan (Table A3). In 2020, all three types of subsidies provided were realized above expectations surpassing the initial plan (Table A4). by 16% (subsidies for hard-to-employ unemployed) and 20% (self-employment and people with disabilities). In 2020 in particular, it should be mentioned initiation of the “My First Salary” programme which started at the end of 2020. In the first year of implementation, around 8,200 participants took part in the programme out of 10,000.

Public works are also one of the most popular active employment measures being implemented continuously over the previous decade. In the observed period, demand for public works has surpassed supply provided by PES. In the following period, it could be expected slight decline in public works since the focus will move to vocational education. Public works are in general more focused on dealing with consequences rather than unemployment determinants. Therefore, priority in the following years, also in line with EU Commission recommendations will be on improving the employability and skills, whereas public works will still be implemented in devastated regions with limited job supply. Finally, another important measure refers to entrepreneurial education. Despite crisis, PES realized around 80% of the planned participation in all three observed years. In 2020 PES planned involvement of twice as much participants as compared to 2019 and 2021. Out of 1,000 planned participants, mentoring support was provided for 851 person (Table A4).

Government is gradually increasing the fund for active labour market policy which has been considered as insufficient according to the results of the Ex-post evaluation of the Employment Strategy for the period 2011-2020 (FREN, 2020). Over the period 2011-2020 active labour market policy budget accounted for around 0.1% of the GDP, significantly lower to projected 0.5% and disposable budgets across comparable EU economies. Over the last years, Government is slightly increasing the available budget, with the exception of 2020. However, recorded realization of the budget activities showed that there is still available space for improving the existing system as the underspending could be observed in each year (Table 4). Currently, the average cost per individual treated with active labour market programmes in Serbia amounts to RSD 115,000. It should be noted that implementation of the “Youth Guarantee”, only if the new youth inflow is to be tackled (around 25,200 young unemployed per year), would require significant increase of the active labour policy budget ranging from 1.7 to 2.9 bln RSD on annual basis, as per ILO projections (ILO, 2020a) neglecting costs related to outreach activities which would be also necessary for effective programme implementation. Therefore, current budget spending

amounting to around 0.1% of the GDP would be insufficient even in case no additional measures are to be implemented.

Table 4. Budget for active labour market policy measures in RSD (2019-2021)

Active labour market policy	2019	2020	2021	2022
Plan	4,000,000,000	3,810,000,000	5,230,000,000	6,000,000,000
Realisation	3,151,278,654	3,076,531,696	4,529,229,484	
% realisation	78.8%	80.7%	86.6%	

Source: National Employment Service Reports (2019-2021) and Action plan (2022)

One of the important active labour market policies introduced during the pandemic was “My first salary” programme which targeted youth under 30 years old aiming to provide support with regards to their transition to labour market. The programme is implemented by the National Employment Service and jointly developed in cooperation with the Government of the Republic of Serbia and Chamber of Commerce, with a technical support of the Office for IT and E-Government. The total value of the programme in 2020 amounted to 2 bln RSD fully paid from the Government budget. Participation in the programme was set to 9 months. Youth with secondary education were allowed to receive monthly support of 20,000 ths RSD, while those with tertiary education received 24,000 ths RSD (Decree on the Youth Employment Incentive Programme "My First Salary", 2020). The only eligibility criteria referred to working experience of the youth participating in the programme that is limited to 9 months in total. Innovation and practical potential of the measure consists of the following elements (OECD OPSI, 2020):

- A possibility to gain practical work experience;
- Meets immediate business needs through further recruiting of well-trained professionals;
- Suitable for young people – fully digital; and
- Use ecosystem model by leveraging both capabilities inside and outside government, and uses both an open innovation and co-creation approach.

As the first active labour market policy of that type developed in Serbia, the programme proved to be attractive for employers since there was no formal obligation to employ participants. Around 7,500 employers officially applied for participation offering around 12,500 positions. On the other hand, youth also showed interest in participation as around 17,000 participants applied for 10,000 envisaged positions.

Brief evaluation of the programme effects in 2020 conducted by the National Employment Service confirmed participants’ satisfaction with the programme activities, being slighter higher among employers (4.7) than among employees (4.4). Programme assessment conducted in June 2021 confirmed around 500 successful matches and 48% of the funds usage, particularly due to larger share of the participants with secondary education and early phase of the programme implementation. Official data shows that 8,453 young people participated in the first cycle of the programme, out of which 60% female, who gained work experience in 5,177 private companies. Under the second cycle, Government raised the compensation to 22,000 and 26,000 RSD and the overall budget by 10% to 2.2 bln RSD.

Although programme effects in general could be assessed as positive, certain risks should be taken into account with regards to future implementation and eventual adjustments. Arandarenko (2021) argued that, given the lack of obligation to employ participants, employers were not motivated to involve participants in the key business operations. In that context, it should be particularly cautious in terms of potential substitution of the existing workers with ones enrolling the programme. If that happens, net effects of the programme would be completely offset and condition forbidding reduction of the number of employees should be considered. However, rigorous impact evaluations in the following period would show real picture with regards to programme effectiveness and its replication potential.

3. Gaps between existing practices and detected needs – main findings

Although COVID-19 pandemic raised significant issues with regards to the already weak position of the most vulnerable labour market groups, PES approach and envisaged policy measures remained the same if compared to pre-crisis period. This practice, also present in other European economies, could be explained by the fact that pandemic as a global phenomenon hit the overall economic activity and that active labour market policies were not sufficient to minimize negative impacts on the labour market. For the purpose of dealing with COVID-19, policy makers introduced wider fiscal support programmes which, in case of Serbia, surpassed 10% of the annual GDP. The general idea behind stimulus programmes was to provide support to businesses and indirectly prevent them from laying-off workers. Serbian example showed that non-selective fiscal support had positive impact of the overall economic activity and aggregate labour market indicators.

However, since the pandemic had different impact across different labour market groups, relevant research (IES, 2020; Arandarenko, 2021, ILO, 2020, Bradas et al. 2020, etc.) confirmed that crisis resulted in widening income inequalities and worsening labour market perspectives of the most vulnerable population. Therefore, it would be important to design additional measures aimed at improving the position of these groups and the central role in that context should be given to PES and its network, including partners at the national and local level including both Government and non-Government stakeholders.

Performed analysis shows that PES successfully implemented most of the activities as envisaged within Action plans for 2020 and 2021. Clearly, realization of the measures applied in 2020 was slightly below planned levels as a result from limited opportunities to conduct field activities and direct face-to-face communication. In 2020, PES rationally switched to vocational education programmes, subsidies and entrepreneurship support, which also proved to have greater effectiveness if compared to active job search support and mediation activities. Additionally, it would be important to note that at the end of 2020 PES initiated “My First Salary” programme targeting youth population with no working experience. Evaluation of the impact that the programme has had in the first two rounds implemented so far, would be important in the context of developing similar targeted active labour market policies that could be designed to support employment and activation of the particularly vulnerable groups.

Piloting “Youth Guarantee” programme envisaged to start in 2022 in three local municipalities is another example of the intervention that could have beneficial effects for the vulnerable youth in the NEET status. In order to ensure smooth and effective realization of such comprehensive and administratively demanding programmes requires additional reform and further development of the institutional capacities. In the case of PES, it means engagement of more staff in charge of providing programme delivery to clients. Currently, the functional units – i.e. those units responsible for the management of the NES core functions and service delivery to clients – represent less than half the staff engaged in support functions (ILO, 2020a).

In line with research conducted by IES (2020) and PES reports on the activities implemented in 2020 and 2021, the following issues should be considered when designing future policy interventions:

Long-term unemployed persons. As per recent PES report published in March, around 50% of the unemployed registered to PES database refers to long-term unemployed being in the unemployment status for more than 2 years. They represent a reservoir of around 240,000 persons, out of which 58% female, detached from the labour market, probably possessing skills for which there is no demand in the labour market. Their employability will be hardly strengthened by standardized and generally applied active policy measures and probably requires specific approach based on possibilities to improve their current knowledge, skills and preferences.

Older unemployed population. Around 38% of the unemployed are persons older than 50 years. Similarly to the long-term unemployed population, this group faces severe obstacles in finding adequate job due to limited job supply for older population. Therefore, this group requires custom-based approach including support in developing contemporary skills such as digital ones, and support in finding alternative paths to job market such as self-employment support for example.

Regional differences. Even before the pandemic, population from the South-Eastern Serbia faced lower employment rates if compared to the rest of the country. Pandemic additionally worsened their position widening gap related to their employment opportunities. Although being positively discriminated through investments subsidy policy, population in less developed municipalities need additional support in terms of strengthening their employability. This particularly refers to around 130,000 unemployed in South-Eastern Serbia, out of which one third have no qualifications, whereas half being in the status of long-term unemployed persons.

NEET population. Youth population has been generally considered vulnerable group due to limited working experience and similar challenges related to work-to-school transition. This is particularly true for the most jeopardized subgroup – youth neither employed nor participating in the education and training activities. Their position additionally worsened by the recent pandemic since the NEET rate in 2020 increased by 0.9 percentage points comparing to pre-crisis period. “My First Salary” programme represents additional opportunity for youth population to gain first working experience and practical skills.

However, it should be noted that significant portion the youth in NEET status, which accounts for 20% of the population between 15 and 29 years old out of which almost 40% being inactive, face severe obstacles which prevent them for entering the labour market being in the status of inactive persons and thus invisible to the PES. Their activation requires non-standardised approach and support for achieving basic digital skills, strengthening self-confidence and motivation. In order to support activation of the youth in NEET status, PES should establish more active collaboration with different stakeholders at the local level including social service centers, local youth offices and educational institutions (Djukic, 2022). The role of civil society could be particularly beneficial since activation of the youth in NEET status requires proactive approach, a lot of field work and direct contacts within their local communities which surpass existing capacities of the PES regional network. Experiences to be obtained during the “Youth Guarantee” scheme piloting planned for 2022 will represent important input for designing well targeted active labour market policies for youth in NEET status.

4. Policy recommendations

Fiscal support provided by the Serbian Government successfully stabilized economic activity mitigating greater pandemic effects on the unemployment through direct subsidies to companies and other support measures such as tax deferrals, moratoriums on debt repayments and support to particularly affected sectors. At the same time, PES continued to provide support to hard-to-employ population through provision of the standard set of services as it was the case prior to pandemic. After delays in providing face-to-face services resulting from social distancing measures which resulted in slightly lower realization of the Action plan for 2020, in 2021 PES continued its regular activities focusing primarily on the active labour market set of measures. After decline in 2020, budget allocated for the active labour market policy continued to rise over the course of 2021.

In the following period, PES approach should include continuation of the existing policies with a particular focus on active labour market measures and strengthening entrepreneurship, as well as further implementation of the “My First Salary” programme. First impact assessments of the programme are supposed to provide lessons for eventual redesign of the programme and development of future policies of that type.

Taking into account jeopardizing position of the vulnerable labour market population, PES should also reconsider development of the additional active labour market measures such as:

- Development of the custom-based measures to support employment of the hard-to-employ population such as long-term unemployed and older population.
- Further development of the PES capacities at the regional level in order to provide greater support to unemployed in rural South-Eastern parts of the country.
- In the light of “Youth Guarantee” programme piloting, it should be further encouraged development of the “one-stop-shop interventions” aimed at activation and strengthening employability of the youth in NEET status and similar measures based on collaboration of different stakeholders – private sector, civil society, local development

institutions (regional development agencies, regional chambers of commerce, business associations, etc.).

It should be however noted that delivery of the comprehensive and targeted interventions requires more funds for their realization. Initiation of the additional programme would entail additional costs. For example, implementation of the “Youth Guarantee” would require increase of the active labour market policy budget by at least 30% as per the most conservative projections and narrower scope of the programme.

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Appendix

Table A1. Employment mediation and professional support activities (2019-2021)

	2019		2020		2021	
	Number of persons planned	Realisation	Number of persons planned	Realisation	Number of persons planned	Realisation
1. Employment mediation activities						
1.1. Visits to employers	26,000	26,472	26,200	17,535	26,200	28,709
1.2. Employment mediation at the request of employer	82,450	11,995	100,000	82,295	82,450	119,950
2. Professional orientation and career management counselling						
2.1. Informing about career development opportunities	77,000	79,806	63,000	110,920	63,000	100,189
2.2. Counseling on career development opportunities	10,500	10,692	10,000	6,920	10,000	8,479
2.3. Selection	10,000	10,184	10,000	19,338	10,000	10,677

Source: National Employment Service Reports (2019-2021)

Table A2. Active job search measures (2019-2021)

	2019		2020		2021	
	Number of persons planned	Realisation	Number of persons planned	Realisation	Number of persons planned	Realisation
3. Measures for active job search						
3.1. Active job search training	38,650	40,990	32,400	18,815	32,400	35,692
3.2. Self-efficacy training	3,200	3,323	2,800	1,012	2,800	2,823
3.3. Job search club	4,520	4,691	3,900	1,550	3,900	4,012
3.4. Job fairs	56,000	58,199	52,500	4,458	52,500	10,105
3.5. Workshop for overcoming stress due to job loss	1,050	1,133	900	287	900	954
3.6. Entrepreneurship	11,300	10,958	10,310	12,448	10,350	13,686

development training						
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Source: National Employment Service Reports (2019-2021)

Table A3. Vocational education programmes and trainings (2019-2021)

4. Training and vocational education programmes	2019		2020		2021	
	Number of persons planned	Realisation	Number of persons planned	Realisation	Number of persons planned	Realisation
4.1. Professional internship	4,030	4,581	4,030	3,013	3,000	2,150
4.2. Internship for young people with higher education	535	138	530	479	550	590
4.3. Internship for the unemployed with secondary education	595	264	590	322	500	279
4.4. Acquisition of practical knowledge	820	910	820	775	820	622
4.5. Labor market training	1,200	1,257	1,200	136	2,100	63
4.6. Training at the request of the employer - for the unemployed	530	622	530	527	500	708
4.7. Training at the request of the employer - for the employed	depends on employers' request	25	depends on employers' request	36	depends on employers' request	42
4.8. Functional adult primary education	1,500	1,305	1,500	1,049	1,500	1,062
4.9. Recognition of previous education	/	/	20	/	/	/
4.10. First Salary programme			10,000	8,224		8,976

Source: National Employment Service Reports (2019-2021)

Table A4. Employment subsidies, public works, and entrepreneurship programs (2019-2021)

	2019		2020		2021	
	Number of persons planned	Realisation	Number of persons planned	Realisation	Number of persons planned	Realisation
5. Employment subsidies						
5.1. Subsidies for employment of unemployed persons - hard-to-employ persons	3430	4190	3,100	3,601	3500	3,416
5.2. Subsidies for self-employment	2800	4000	2,730	3,314	3500	3,883
5.3. Wage subsidy for people with disabilities without work experience	360	222	360	432	400	245
6. Public works						
6.1. Public works	4000	5293	4000	4,531	2800	3,169
7. Entrepreneurship						
7.1. Information and counselling	18000	18288	18000	16,372	16000	16,845
7.2. Mentoring programmes	450	431	1000	851	525	553

Source: National Employment Service Reports (2019-2021)