

SUMMARY REPORT

LABOUR MARKET AND EMPLOYMENT

This analysis of the labour market and employment strives to answer several key questions: 1) What was recognised as a challenge in the labour market and how have these challenges changed since the ESRP was written? Have adequate objectives been set for existing challenges, i.e. adequate measures and indicators in relation to these objectives? Have indicators been sufficiently defined and/or quantified so as to be able to speak with certainty about their fulfilment? 2) Which measures have been implemented thus far and which have not, and what are the chances of implementing unrealised measures by the end of 2020? What objectives and measures have become obsolete due to the changed circumstances on the labour market? 3) What normative and strategic political acts have been adopted in the meantime and how do they affect the implementation of set objectives and measures?

This section of the ESRP envisages implementation of a total of 48 measures to achieve the four objectives. The objectives have not been uniformly structured, so one of the general objectives aimed at reducing the overall inactivity rate and increasing the employment rate has been divided into two subcategories, of which (the objective and subcategory) contain special measures to be implemented, while this is not the case for the remaining three objectives.

The importance of labour market development is undeniable for the overall achievement of ESRP objectives. However, the ESRP's approach to this issue is largely one-dimensional, as it focuses on increasing labour supply rather than demand (except for those measures which encourage employers to hire informal workers). One of the functional objections to the overall structure of the labour market and employment segment is, therefore, related to the attitude toward key challenges on the labour market. While most of the objectives and measures are aimed at increasing labour market supply, the issue that relates to the demand for workers has been overlooked. Although certain challenges have been identified on the labour demand side, the objectives matrix fails to define which objectives should address them. Also, essential ties between activities carried out by different institutions and sectors have been neglected. Employment policies are intersectoral policies, with job creation being at their core. In addition to implementing active labour market policies, labour market institutions include social protection systems (unemployment benefits and schemes, an early retirement system and various forms of welfare support), various aspects of labour legislation (minimum wage, employment protection and law enforcement), trade union membership and collective bargaining.

In terms of planned objectives and measures, the overall assessment is that they are mostly logically and functionally set, although there are some exceptions. It is often impossible to establish a functional relationship between an objective and a measure, or a measure and an indicator. The absence of indicator quantification, as well as the lack of set target values is also one of the structural objections to the content of the ESRP and ESRP matrix.

The fact remains; however, that the implementation of set objectives and measures would significantly improve the situation on the labour market, despite the mentioned shortcomings in their design. What is indicative are the data and explanations provided in the reports on the implementation of the Employment and Social Reform Programme (ESRP) available to date - for

the years 2016-2017 and 2018. It is clear that certain measures are ignored or neglected without explanation, i.e. there was an attempt to create the illusion of their implementation by introducing data pertaining to activities which cannot be directly related to the implementation of a specific measure, nor were they envisaged as such, but rather, have some vague and indirect points of contact with said measure.

Where the fulfilment indicators of individual measures are in question, stress is placed exclusively on the quantitative aspect, without taking into account the quality of the jobs being created on the labour market, as well as the position of workers hired to perform these jobs. Reform of labour legislation, which the ESRP claims strives to create a favourable business environment and increase the number of available new jobs, has caused employment quality to deteriorate. In other words, with its measures, the state has responded efficiently to the challenges of increasing employment, however, this factor has not had an effect on the overall improvement of the position of workers in the labour market. On the contrary, over the last few years the precarious status of certain categories of workers has been confirmed (such as those without permanent employment status, youths hired through youth-student cooperatives) while at the same time, new forms of insecure work have been created or legalised with working conditions below the legal minimum (agency work, child labour and dual education, seasonal work).

Furthermore, the ESRP identifies a high overall rate of inactivity and a low employment rate as key challenges in terms of labour supply, then, the exclusion of the Roma population in the formal labour market and the need to strengthen the role of the employment policy, labour market segmentation and structural unemployment, high youth inactivity and unemployment. The causes of each of these challenges were analysed and each was explained in detail. The objections set to respond to the mentioned challenges are as follows: to decrease the overall inactivity rate and increase the employment rate (objective 2) with two subcategories relating to improving the position of the Roma population on the labour market and strengthen the role of the employment policy, to reduce labour market dualism (objective 3) and to improve the status of youth in the labour market (objective 4). Despite the fact that the causes of each of the issues present on the labour market have been precisely identified, the proposed measures for the implementation of individual objectives do not eliminate these causes. Thus, none of the measures related to reducing target group inactivity state these individuals as inactive, but simply as unemployed persons, according to National Employment Service Serbia records. Despite it being noted that one of the reasons for the inactivity of women is insufficient support in combining family obligations and labour, there is no such measure that would resolve this issue.

In planning active employment measures, in the indicators as well as in reporting on ESRP implementation, there is no difference between the three categories of labour market intervention, as was recommended in the EU employment guidelines: the services provided by the National Employment Service to the unemployed and to employers; labour market policy measures, which include measures to activate the unemployed and other target groups (inactive and early retirement); support labour market policy which includes financial aid. This means that those measures where the indicator is increasing the inclusion of the unemployed in active policy measures, the data show that the increase is a result of the increased number of unemployed to whom services were provided, and not an increase in the number of unemployed persons included in the measures.

An overall assessment of the envisaged objectives and measures implemented thus far in employment and the labour market would certainly have to be negative. Most measures have yet

to be implemented, and for a great number of them activities are listed which are only indirectly related to their implementation and have not arisen as a product of the political and tactical implementation of the ESRP, but rather, as a product of other political or strategic orientation, yet are used in the reports to give the impression (artificially) that the implementation of certain measures was worked on in the previous period.

Based on all of the above, the following three main conclusions are imposed:

- The section of the ESRP referring to employment and the labour market is solidly written but significant changes in the circumstances of its implementation in the period 2014 - 2020 support the necessity of its revision. It is of particular importance that the ESRP deal also with the quality of new jobs, not only with the quantification of employment parameters.
- There is no functional plan to implement the ESRP in the section concerning employment and the labour market, nor is it possible to conclude, on the basis of implementation thus far, whether there are continual and planned efforts being made toward the implementation of individual measures and indicators (with certain exceptions mentioned in the text). There is no political orientation toward the efficient and full implementation of ESRP objectives and measures, rather, only those in line with current employment policies and attracting direct foreign investment are presented as successfully implemented.
- Significant progress has been made in certain areas in line with the set objectives, measured by basic labour market indicators. However, essentially it cannot be said that that ESRP has been fulfilled within the prescribed deadlines, nor that this will be the case by the end of 2020. Bearing in mind the specific and difficult situation caused by the epidemic, i.e. the COVID-19 pandemic, it is absolutely clear that turbulence is expected in the labour market and that it is necessary to view this new reality in line with the actual state of affairs, which is decreased employment and increased inactivity, trends that are pronounced and more and more obvious since March 2020 until the time this report was drafted. In this regard, the ESRP must also be adapted to these new circumstances.

HUMAN CAPITAL AND SKILLS

The focus of the ESRP Report in terms of the Human Capital and Skills sector and the measures undertaken is on programmes and activities aiming to increase the expertise and training of employees that takes place in educational institutions. In addition to these, a significant number of measures refer to the inclusion of marginalised groups in the education system, in particular the Roma population and persons with special needs. Measures in these two categories have been carefully defined and fulfilled to a large extent. A serious shortcoming in the description of the results is in that data on achieved measures are often provided in absolute numbers, therefore, the reader cannot gain a sense of what was actually done and the achieved coverage of students with the implemented measures in relation to the total contingent or target group. Analyses and measures which would draw attention to the issue of spatial and transportation (in)accessibility to schooling, exceptionally poor construction and the ‘communal-hygienic-sanitary’ quality of a number of primary school facilities, especially in rural communities. Children from rural communities are in many areas almost completely invisible in the education system. For this reason, it is urgently necessary to focus on measures to improve the conditions of education and provisions relating to the construction of and ‘communal-hygienic-sanitary’ conditions of facilities

in which compulsory education is organised, as well as the conditions, quality and (spatial and transportation-related) accessibility to primary education, and the availability of secondary and higher education for youths who do not reside (temporarily reside) in the urban areas in which they attend secondary school or university. Obligations in terms of educational conditions and standards have been around for decades now in the form of legal provisions. It is necessary to apply them, establish accountability and to determine what the consequences are of their non-application. Compulsory education is a public good and must be available (at the minimum) under equal conditions to all children and youths of a state union.

SOCIAL PROTECTION AND SOCIAL INCULSION

SOCIAL AND CHILD PROTECTION

The context provided in the ESRP in terms of the situation of social and child protection during the adoption of this document in 2016 is still relevant today. Poverty rates, expressed both through the methodology applied to measure absolute poverty and the one used to measure relative poverty, have remained virtually unchanged. At the same time, coverage of the poor with cash benefits and the share of social protection expenditures in Serbia's GDP has declined, and key reforms, such as the adoption of a new law and social protection strategy, have for years now, been delayed. This is why, with its 2020 report on Serbia, the European Commission provided its usual criticisms of the situation in terms of social protection. All six objectives of the ESRP in the section *Directions of further changes and measures in the sphere of social and child protection* remain relevant. The main shortcoming at the level of these objectives is that focus has been on 'adhering to budgetary possibilities', i.e. on the financial aspect of developing the social protection system through cost-benefit analysis, instead of the state's duty to ensure the full enjoyment of all human rights, social included. Furthermore, the ESRP's weakness lies in the logic of developing measures resulting from objectives. In terms of the implementation of measures, official Government reports claim that of a total of 41 measures, 20 were fulfilled during the reporting period from 2016 to 2018. On a positive note, measures such as increasing child allowance amounts for secondary school age children and children with disabilities have been met, and the conditions for exercising the right to child allowance have been simplified. However, only eight of these 20 measures can be considered implemented in full, nine are partially fulfilled, one remains unfulfilled, and two cannot be determined as fulfilled as there is not enough available data. Of particular concern is that the competent ministry has abandoned the implementation of certain measures whose implementation may substantially contribute to reaching objective targets such as reducing the number of people at risk of poverty. These measures fall under measures relating to improving the adequacy and targeting of cash benefits, for example, increasing weightings (benefits) for children and youths with disabilities and relaxing property-related requirements. Of particular concern is the rationale provided for this kind of move in official reports on the implementation of the ESRP, namely, that for the implementation of these measures "there is no possibility of securing budget funding." Additionally, several deadlines were not met in the fulfilment of a certain number of measures, as envisaged in the ESRP. The ESRP includes certain shortcomings which hinder or make it impossible to implement and report on and to monitor implementation: there are certain measures envisaged in the main text, but are not included in the matrix, nor in the reports on its application; the matrix i.e., reports on its application, reduced the scope of certain measures; in the matrix,

certain measures from the main text are presented as indicators. In addition to the above, it is no surprise that the key objective targets of the ESRP in this area remain unfulfilled, and firstly this refers to reducing the number of people at risk of poverty from 1,829,570 people in 2014 to 1,500,247 people in 2020 (until 2019, a reduction to 1,615,593 people was achieved). What's more, in some objective targets an opposite trend was recorded than planned, so that in terms of increasing the share of net income of FSA recipients in the at-risk-of-poverty line for a single-person household, as well as for a household with two adults and two children, there is a declining trend from 57% in 2014 to 43.9% in 2019 (instead of the planned value of 80% in 2020), i.e. from 69% to 43.9% (instead of 80%). Key proposals that may be addressed to the RS Government in regard to ESRP implementation and the preparation of a new document concern the following: urgent implementation of measures envisaged by the ESRP, with focus on fulfilling international obligations and supporting groups most vulnerable to the COVID-19 epidemic; urgent adoption of the Social Protection Law, the new Strategy for the Development of Social Protection and the Budget Law for 2021, which would increase expenditures for social protection; analysis of the effects of Government measures during the state of emergency that affected the social protection system and analysis of the effects of the application of the Financial Support to Families with Children Law and preparation of amendments to said regulation; initiating the process of drafting a new ESRP in collaboration with UN agencies and civil society organisations for its adoption in the first quarter of 2021, at the latest.

PENSION SYSTEM

The Pension System section of the ESRP is divided into two parts - Improving the financial sustainability of the pension system and Maintaining pension adequacy and safeguarding the living standard of the elderly, which are the two main opposing objectives of the pension policy. A total of seven objectives with 14 measures are envisaged. Generally speaking, the objectives and measures are of sound quality, yet somewhat ambitiously set, primarily taking into account the capacities both within the country and in terms of Serbia's expert public. This is evident in the implementation of said objectives and measures. With the exception of improvements made to the Central Registry database, which is actually the result of work being done since 2003, when a credit facility was taken out under favourable IDA conditions, no other improvements have been made in terms of the remaining objectives and measures.

Since the adoption of the ESRP until today, the context has somewhat changed. Pension expenditures have been significantly reduced - from 12.8% of the GDP in 2013¹ expenditures dropped to 10.3% of the GDP in 2018 and transfers from the PDIF from 6.3% of the GDP to 3.4 of the GDP². At the same time, the replacement rate - ratio of the pension level for an individual who just retired and his/her average wages throughout his/her working life, for someone with 40 years of pensionable service and wages at the level of the Serbian average, dropped by almost

¹ According to the revised GDP this amount was 12.8%.

² Stanić, Katarina (forthcoming). "Pension system in Serbia: Developments, Current State, and Challenges" in *Social security in the Balkans. Experiences, challenges, perspectives*. Leiden: Brill

60%. Despite the fact that coverage by pension insurance increases over the years, there are still approx. 160 thousand people that do not receive any sort of pension³. Such developments clearly indicate the need to prioritise pension policy objectives and measures. The objective set to maintain pension adequacy should be a top priority and within the framework of this, the manner of uprating of pensions and the general point value, as should the objective set to improve the safeguarding of the lowest living standard of the elderly and considering the minimum guaranteed old-age income.

In the previous period, due to the freezing of pensions, ad hoc indexation which did not take into account real wage growth as well as ‘temporary pension decline’, the replacement rate in the pension system dropped to 60% of net wages⁴. Any further reductions in the replacement rate brings into question the objective set to maintain pension adequacy, in the medium and longer term especially. Relative to this, expert analysis is necessary as are debates on the manner of indexing the general point value and pensions, which is a measure envisaged in the ESRP. It is especially important to consider separating the indexation of the general point value and pensions in payment⁵. What is a certain shift in the indexation of pensions is the transition to the Swiss formula with the amendments to the Law from December 2019. However, it is important to consider that this is not a solution for the medium and long term and that it only partially mitigates the current trend of reducing the replacement rate, but does not reduce the need to meet the measures envisaged in the ESRP. The need to improve protection of the lowest standard of living of the elderly in the reporting period, but also in the years prior to this, was persistently reduced to one-time benefits to pensioners with minimum or very low pensions, and more recently to all pensioners (which means relatively more to those with lower pensions), and completely ‘dropping the ball’ where the elderly population without any form of pension is concerned. The measure proposed in the ESRP, which is the analyses and proposal of legal solutions, was not completed in the reporting period, nor is there any indication that it is being worked on; however, even without this, it was possible to make some progress in this area, such as a specific FSA model that applies to the elderly, which would include a higher threshold/level of assistance for elderly households and/or a higher coefficient for each elderly person and/or the termination of property-related requirements. Estimated expenditures range from 0.033% of the GDP to 0.3% of the GDP depending on the option analysed⁶.

These measures need to be updated as soon as possible, and taking into account reduced pension expenditures and PDIF deficit over the previous period, these objectives are achievable. Naturally,

³ Ibid.

⁴ Gordana Matković and Katarina Stanić, "Serbian Pension System in Transition: Silent Break with Bismarck," *Economic Annals* forthcoming (2020).

⁵ More about this in the Center for Liberal-Democratic studies (CLDS) (2011). *Analiza indeksacije opšteg boda i beneficiranog radnog staža. [Analysing the Indexation of the General Point Value and Pensionable Service.]* Belgrade: Center for Liberal-Democratic Studies; Gordana Matković and Katarina Stanić, "Serbian Pension System in Transition: Silent Break with Bismarck," *Economic Annals* forthcoming (2020); Stanić, Katarina (forthcoming). "Pension system in Serbia: Developments, Current State, and Challenges" in *Social security in the Balkans. Experiences, challenges, perspectives*. Leiden: Brill

⁶ Gordana Matković i Katarina Stanić. "Socijalna zaštita u starosti: Dugotrajna nega i socijalne penzije." [*Social Protection in Old Age: Long-term Care and the Social Pension.*] Belgrade: Center for Social Policy (2014)

continued work is necessary on improving the efficiency and financial sustainability of the system, where the objectives and measures differ in complexity i.e., some are very complex and longer expert analysis and discussion is needed in search of adequate solutions (such as disability and survivors' pension reform, as well as agricultural insurance), or their implementation requires political will for the most part, such is the case with pensions accrued on the grounds of increased pensionable service.

HEALTHCARE SYSTEM

The ultimate objective of any public health system is to preserve and improve the health of residents while achieving health equality. These systems are also very fragile, as the 2020 COVID-19 pandemic has shown, bringing these systems to the brink of financial and managerial sustainability. Availability and accessibility in healthcare, as two of its basic principles; then, HR planning and management, as two of the most important characteristics required in managing these systems, all pose a constant challenge for public health systems the world over, including Serbia's. In the process of Serbia's accession to the EU, the ESRP's objectives and measures referring to the public health system will remain relevant to us in the years to come, especially since Serbia is slow to implement reforms in these areas. According to implementation reporting for 2016-2017 and 2018, implementation was postponed for over half of the objectives and measures, then completely disabled by COVID-19. Of the 19 measures related to improving the availability and accessibility of healthcare to vulnerable social groups, only nine have been (partially) implemented, and for ten objectives, implementation was postponed for 2019-2020, though available data indicates no implementation whatsoever. It is worrying that no objectives with measures related to the planning, management and education of healthcare staff have been implemented, despite these being of crucial importance to the functioning and development of the healthcare system. The long-term overall assessment of the public health system (Chapter 28 - Consumer Protection and Healthcare) in the EC reports on Serbia's progress in the EU accession process emphasises the need to "strengthen overall management capacity in public health, and the HR and financial sustainability of the public health insurance fund..."⁷. According to the reports, only formal (legislative) assumptions, without appropriate argumentation in terms of the values of indicators applied to monitor the progress of their achievement, are most often provided for implemented objectives and measures, therefore, it may be said that their implementation is only partial.

The accessibility of healthcare services is essential for all social groups of particular vulnerability - individuals over the age of 65, people with disabilities, Roma women and men, and the working population. The vulnerability of certain groups is often associated with poverty and life in remote, rural areas. Therefore, these individuals face discrimination, social exclusion and disrespect for their human and health rights. For this reason, it is necessary to achieve universal healthcare coverage (vertically, horizontally and in depth) and thus improve availability and accessibility especially for vulnerable social groups. The principle of universal coverage is the greatest value of European legislation and is included in the Charter of Fundamental Rights, Article 35. In terms of accessibility and availability, special emphasis should be placed on the growing need for palliative care and treatment, not only of the elderly population, but also of those suffering

⁷ European Commission, Serbia 2020 Report, Brussels, 6. 10. 2020, SWD (2020) 352 final.

from malignant diseases and chronic mass non-communicable diseases; strengthening polyvalent patronage services which have been available in Serbia for over 100 years, which address the healthcare needs of particularly vulnerable population groups within the family environment; on resolving the labour and legal status of health mediators who have achieved great results in increasing healthcare accessibility to the Roma population and strengthening services related to protecting the health of workers (occupational medicine) and inspection supervision in the field of OH&S (Occupational Health and safety). Disability associations stress the need (and in its principles, the Healthcare Law emphasises the importance of accessibility of healthcare for the disabled) for ramps, that should not be too steep, for easier access to healthcare facilities, the need for hydraulic gynaecological tables for women in wheelchairs and dental chairs and dentists trained in paediatric preventive dentistry to work with children with disabilities, as well as the need for special hospital beds in in-patient healthcare facilities adapted for people with disabilities (adjustable height, and including a trapeze and anti-decubitus mattresses).

Not a single measure provided in the ESRP related to the planning and management of healthcare professionals has been implemented, despite the long-term lack of certain healthcare professional profiles (radiologists, paediatricians, GPs (General Practitioners), anaesthesiologists). The COVID-19 epidemic and any subsequent pandemics/epidemics expected by public health professionals demonstrate the importance of well-trained, responsible, efficient, and effective healthcare workers and associates, and underscore the lack of a strategic approach to the education and employment of these professional, all aiming to achieve the best healthcare outcomes for the entire population.

Some aspects of the development of Serbia's public health system have been completely neglected and their importance has been emphasised by the COVID-19 epidemic, which is why the introduction of new objectives and measures should be considered during the revision of the ESRP programme with the coming year. Among these is mental health protection of the entire population, not just vulnerable population groups, with better security for healthcare professionals and associates dealing with mental health disorders and the development of a community support network. Only a small step has been taken toward creating conditions for the deinstitutionalisation of these healthcare services and the creation of a community support network, despite there being a declaratively expressed will to do so and the legal commitments made.

Better preparedness of the healthcare system to deal with emergencies imposes the need to introduce another objective in response to public health crises, such as the COVID-19 pandemic. Crisis management should be improved and the healthcare system should be capable of quickly assessing the health needs of the population. It is also necessary to improve and modernise capacities for surveillance of and response to infectious diseases and to introduce a centralised healthcare information and communication system, which were the objections provided by the European Commission in the Progress Report on EU Accession addressed to Serbia.

The development of the healthcare system (and not the health system, which is a commonly used secularism) is one of the priorities of the new Government and it is to be expected that in future, this system will be more population-oriented on reducing inequality in healthcare, protecting the population from financial risk in using healthcare services and increasing the population's satisfaction with healthcare service provision.