

Social situation in Serbia

By the end of 2015, Serbia expects to move closer to EU membership by opening its first negotiating chapters of the *acquis*. The social dimension, an integral part of the enlargement process, is mainly covered in Chapter 19 (Social Policy and Employment) of the *acquis*. Serbia has to address major social policy issues to achieve compliance with the EU's common basic social standards – a condition for successful participation in the single market.

Background

The legacy of Serbia's past – the rule of socialism, the break-up of Yugoslavia, conflicts between members of different ethnic and political groups, international isolation and delayed transition to a market economy – provides a complex context for the country's socio-economic progress. Substantial reforms that started in the 2000s [remain incomplete](#), and have been further delayed by the recent global economic crisis. [Structural bottlenecks](#), such as a weak business environment, an inflexible labour market and a large and inefficient public enterprise sector, have persistently blocked competitiveness and growth. All these factors have also delayed Serbia's [social transformation](#). In the past, the country's social policy was based '[less on social rights](#)' and more on the care of the state, which had a major role in the provision of social security. The state remained for a long time a 'dominant service provider' in the area of the labour market, education and social protection (pension and disability insurance, social assistance to vulnerable groups and social welfare). To prepare for EU membership and meet its [obligation for alignment](#) with the EU's legal framework, Serbia has had to undertake reforms to shift away from its centralised social policy model.

Social policy and employment

In 2015, Serbia's socio-economic situation is once again among the country's [biggest challenges](#). To meet its strategic goal of EU integration, the government elected in 2014 has [committed](#) itself to a comprehensive reform agenda, involving, among other things, strict fiscal consolidation measures to reduce the budget deficit and public debt. To secure a [€1 billion IMF loan](#), it has adopted an [austerity-focused 2015 budget](#), cutting some social-security services and reducing others. The planned privatisation of state-owned enterprises and the public sector downsizing (likely to continue in 2016-17), may have some effect on the level of unemployment. Tackling social issues effectively requires a healthy economy with a high level of investment, but the economic situation in Serbia leaves limited resources for alleviating the social impact of reform, making higher social care expenditure appear improbable.

Labour market: (negative) employment trends and statistics

Unemployment and poverty seem to top the social policy agenda. As in most of Europe, the recent economic slowdown has further aggravated the labour market situation. [Structural problems](#) include low market participation, mismatch of labour supply and demand, and a large informal economy (nearly 30% of the total annual turnover in goods and services). Data from a [labour force survey](#) for the first quarter (Q1) of 2015 show an unemployment rate of 19.2% (up from 16.8% in Q4 of 2014) and a high inactivity rate of 37.5%. [Long-term unemployment](#) stands at 76.9% (29.5 percentage points higher than the EU28 average). [Informal employment](#) reached 24.2% at the end of 2014, meaning a quarter of employees do not receive proper social protection. The high youth unemployment rate (52.8% in Q2 of 2014) is another concern. Higher regional disparities, negative demographic trends (low birth rate, ageing population, 'brain drain', depopulation of rural areas and shift to major towns) are other downsides. All these issues have been addressed in the [National Employment Strategy 2011-20](#). The 2014 [National Employment Action Plan](#) (NEAP) is the main instrument for implementing an active employment policy. It focuses attention on the most vulnerable groups on the labour market: [women, youth, elderly, Roma, low-skilled individuals, and persons with disabilities](#).

Relevant legislation: adopting new or amending existing laws

As part of a wider reform package, Serbia amended its [Labour Law](#) in July 2014. The changes affect short-term employment, annual vacation, paid leave, salary increases, rights to pay and benefits, compensation of work-related expenses, redundancy pay, termination of employment, penalties for workplace violations, etc. These amendments, intended to [increase](#) labour market flexibility and improve clarity on certain matters, have provoked [protests](#), with trade unions [arguing](#) that they restrict labour rights and give employers more bargaining power. The [pension system](#) has also been reviewed, to take account of the [demographic and economic situation](#) and to ensure long-term sustainability of public finances. The [Law on Pension and Disability Insurance](#) was amended in July 2014. Amendments to the [Law on Health and Safety at Work](#) are at an advanced stage, and two related decrees (on asbestos and electromagnetic radiation) await adoption. A bill on civil servants at provincial and local level is expected to be sent to parliament in July, to address the reduction of surplus employees. A [gender equality law](#) is expected to pass by the end of 2015. Changes are also planned to the law on strikes and the anti-discrimination law.

Despite recognising Serbia's efforts to update its relevant legislation, the [2014 Commission progress report](#) assessed advance in the area as limited. The [Ombudsman's 2014 report](#) criticised the adoption of nearly all laws in urgent procedures, without public debate or proper consultation with the social partners.

Social inclusion, social welfare and social dialogue

[Active participation](#) in the European Social Inclusion Process is key for the EU accession process. As part of its social inclusion efforts, Serbia established a [Social Inclusion and Poverty Reduction Unit](#) and a [Working Group on Social Inclusion](#). Some 140 centres for social work, covering 173 municipalities, are [estimated to be operational](#). Social welfare services [need](#) to be reformed to better support labour market participation and social inclusion. The eligibility criteria for granting unemployment benefits, for example, are complex, yet there are many fewer beneficiaries than expected. The [minimum income scheme in Serbia](#), the Financial Social Assistance (FSA), is regulated by the Social Protection Law (2011) and provided for by the central budget. Between 2010 and 2014, FSA beneficiaries have increased greatly (67%). In this context, a more integrated poverty-reduction and social-inclusion approach is needed. The 2015 NEAP introduced a [new measure](#) for integrating social assistance beneficiaries in the labour market, by offering a 12-month wage subsidy to private employers. In 2014, two important documents, providing an analysis of the social needs and a recommendation for future improvements, were adopted: '[Second national report on social inclusion and poverty reduction 2011-14](#)', and '[Third draft of the Employment and Social Reform Programme \(ESRP\)](#)'.

Social dialogue at the national level remains weak. In practice, trade union rights are more restricted than the relevant legal provisions suggest. As for civil society dialogue, [only two official mechanisms exist](#): the Office for Cooperation with Civil Society and the Sectoral Civil Society Organisations-SEKO for the IPA programming processes. Civil society inclusion in the decision-making process needs to be stepped up.

Healthcare, consumer protection and education

Consumer and health protection have advanced [moderately](#). Positive steps in healthcare include amending the Law on Healthcare and Health Insurance (July 2014) and setting up an e-Health Unit at the Ministry of Health. The latter has pledged to support implementation of a [joint study on healthcare reform](#), performed by [AmCham Serbia](#). As regards [consumer protection](#), the most recent [law](#) is in force since 2011. Other laws with a direct impact in this area are the Law on Trade and the Law on Advertising. To invest in human capital development, Serbia [needs higher-quality education](#) at all levels. It has adopted a [strategy for education development until 2020](#) and a new [Law on Higher Education](#) (September 2014). Serbia participates in EU programmes such as Tempus, Erasmus Mundus, and Erasmus+ ([since June 2014](#)). '[Strengthening Higher Education Reforms in Serbia](#)' is a joint EU/Council of Europe project, supporting education reforms, based on the Bologna Process. Another education-related EU initiative is the [Western Balkans Platform on Education and Training](#).

In a 2012 [resolution](#), the EP regretted that 'the social dimension has been largely neglected in the enlargement process'. It reminded candidate countries that they should align their legislation with the *acquis* in the social field, adopting minimum standards in labour law, equal treatment of women and men, health and safety at work and anti-discrimination. IPA II is EU's [main financial tool](#), contributing to social inclusion efforts. The project '[Support to Evidence-based Employment Policy Creation](#)', in particular, funded with a total value of €1 200 500, aims to help Serbian institutions to better plan active employment measures, corresponding to labour market needs.