Summary

The transition process in Serbia has resulted in high unemployment levels, and women, minorities and young people have been particularly affected. The process of privatisation has contributed to this to a great extent. Most of the new jobs have been created in the informal economy.

The Ministry of Education has launched ambitious reforms, in cooperation with donors, for the modernisation of the education and training system, however most of the activities have been pilot initiatives and the results have not been translated into systemic reforms.

The most important challenge is the creation of a conducive environment for employment-friendly economic growth that can lead to job creation. This will require an integrated approach of economic development, employment and education through effective inter-ministerial cooperation and a stronger involvement of the social partners and civil society. The integration into the labour market of laid-off workers due to the privatisation process should be seen as a priority.

The second challenge is to enhance the education and skills of the population through better education and training opportunities for all. This requires the improvement of the national education structure, with a focus on regional disparities (rural – urban), gender issues, building adequate educational infrastructure, counselling and guidance. A real lifelong learning strategy, including vocational education and training (VET), higher education and adult training, should be developed by ensuring successful reforms through institution building and systematic dialogue between the MoES, MoLESP, the social partners and businesses at all levels.

The third challenge is to support the most vulnerable groups of society – disabled people, minorities and women. Therefore investment in active labour market measures (ALMM) should be improved in terms of both quantity and quality.

Analysis of human resources and labour market development in Serbia

Serbia has a population of 7.5 million. Between 1991 and 2002, the population decreased by a net 80,000. The under-16s population fell by more than 300,000 as a result of low birth rates. This was partly offset by large inflows of refugees from Croatia and Bosnia and Herzegovina, and internally displaced people from Kosovo. The population is predominantly Serb, with a significant and ethnically
diverse minority; 83% of the total population in Serbia (not including Kosovo) are Serbs. The largest minority groups are Hungarians (3.9% of the total population), Roma (1.4%), Croats (0.9%) and Albanians (0.8%)\(^1\).

In 2002, there were approximately 800,000 people living below the national poverty line, i.e. 10.6% of the population, with a monthly income of under $72, which corresponds to less than $2.4 per day. Poverty is most prevalent in the former big industrial and mining centres (Kragujevac, Niš, Vranje, Bor, Majdanpek) and in the south of Serbia. Poverty levels are higher among the Roma and Albanian minorities, who have much lower education levels than average.

Since January 2001, Serbia has launched an ambitious programme of economic reforms that, despite the remaining macroeconomic imbalances and structural problems, has achieved an increase in gross domestic product (GDP), GDP per capita and foreign direct investment (FDI), a decrease in inflation and a reduction of public debt.

The GDP structure by sector of economic activity has changed during recent years, with a decrease in the share of agriculture (from 22.2% of GDP in 2000 to an estimated 16.2% in 2004) and an increase in the share of services (from 46.9% in 2000 to 57.4% in 2004), while industry has remained relatively stable. The contribution of the private sector to GDP has grown from 40% in 2000 to 50% in 2004. The privatisation of large socially owned enterprises has been difficult (only one out of 72 has been completely privatised) due to their outdated equipment and technological processes, uncompetitive products and lack of markets. Around 30% of GDP is attributed to the informal sector. In addition, the contribution of the SME sector to GDP has been increasing due to the simplification of the legal framework for doing business. In 2004, SMEs employed 54% of the total employed and accounted for 51.3% of the total income\(^2\).

The structural adaptation of the economy has put significant pressure on the Serbian labour market. Accurate data on activity, employment and unemployment in Serbia is difficult to provide because of the extent of the informal sector, the main labour market trends can be identified using data from the Labour Force Survey (LFS). The participation rate of the labour force (employed and unemployed) in the total of the active labour force (between 15 and 64 years old) reached 65.2% (3.4 million habitants) in 2005. The employment rate has been constantly declining over the last few years. According to Republican Statistical Bureau data (source: LFS) the average employment rate of 53.5% in 2004 dropped to 51.0% in 2005. The low employment rate of women (40.8% in 2005) in particular, has not been efficiently addressed.

Total employment in Serbia decreased by 5% between 2000 and 2003 according to the LFS. In 2003, the employment rate was 57.9%. The private sector is growing, mainly due to the privatisation programme rather than growth of/ in newly started enterprises. The share of employees in the private sector increased from 18% in 1999 to 33% in 2003. As in other transition countries, employment in the service sector is increasing. Between 2000 and 2003, the share of employment in services increased to 46%, while the share in industry decreased to 28%. Agricultural employment, including small-scale farming remains fairly constant at about 25%.

Large differences exist in the employment rates for groups with different educational attainment levels. The employment rate is 42.8% for low-skilled, 58.2% for medium-skilled and 77.8% for people with higher education. Skill levels are important in the competition for jobs in the formal Serbian labour market.

The number of formal job opportunities is modest due to the comparatively small size of the formal sector, widespread over-manning and the slow creation of new jobs within the formal sector. This appears to discourage young people to enter the labour market. The activity rate of the 15-24 age group is about 34%. The employment rate for this age group is only 18%. This is much lower than in the EU15 (40.6%) and also lower than in the new EU Member States (25.4%). On the other hand, between 2000 and 2003, the unemployment rate increased much faster for the older age groups, than for younger workers.

The unemployment rate (between 15 and 64 years old) in 2005 reached 21.8%. The unemployment rate of women stood at 27.4% and is significantly higher than unemployment rate of men (17.6%). The long-

\(^1\) Census 2002
\(^2\) Source Ministry of Economy, Republic Development Bureau, Republic Agency for the Development of SMES and Entrepreneurship, A report on SMEs and entrepreneurship in 2004, November 2005
term unemployment rate is 14.3% and is one of the highest in Europe. The average duration of unemployment is 44 months (2005). Among the long-term unemployed, women and those less educated are the most affected. Young people (15-24 years old) are particularly disadvantaged in the labour market with an activity rate of 35.8%, an employment rate of 18.7% and unemployment rate of 47.7%. Labour market opportunities for people with disabilities in Serbia are limited. The number of disabled people registered as unemployed with the National Employment Service (NES) is over 25 800 in 2005 and only 13% are working, and only one third of employed disabled people have adjusted workplaces.

It is important to note that registered unemployment at the NES has increased to around 30%; however these data are substantially inflated, as almost 8% is due to people registering in order to be eligible for health insurance and social benefits.

Regional disparities concerning unemployment and employment are one of the biggest problems Serbia needs to tackle. The high variation index of 18.5% indicates dispersion of the regional employment rate, as well as inter-regional differences regarding the unemployment rate, measured by a variation coefficient of 17.5% in 2003.

Rare studies show that “young ethnic communities” (Egyptians, Albanians, Roma, Gorani, Muslims, Ashkalis and Bosniaks) have higher unemployment rates than “the old ethnic communities” (Vlachs, Jews, Bunjevaci, Hungarians, Slovaks, Romanians, Ruthenians). Unemployment among Roma is more than twice that of the rest of the population. In a similar position are refugees and internally displaced people whose situation in Serbia is specific due to the great number of Roma among them.

One of the major challenges for the Serbian labour market is to create a sufficient number of high-quality, secure jobs to absorb workers made redundant through the privatisation process, unemployed individuals and new entrants. Until now job creation in growing and newly created enterprises (mainly SMEs and the service sector) has been unable to offset the destruction of non-productive jobs in large enterprises. Many people are involved in agriculture, where the share of employment, including small-scale farming, remains at high levels and is fairly constant at around 25%. Furthermore, many people are involved in the informal sector, where the share of employment increased from 30% in 2002 to 34% in 2003. Although these jobs can generate income for their holders, they are often of low quality: many are seasonal, temporary or occasional jobs, poorly paid and with poor health and safety conditions.

Summary

The transition process in Serbia is further complicated by the privatisation and restructuring process of the state owned enterprises which could increase the current very high level of unemployment. Labour mobility in Serbia is much higher than in other transition economies due to the high frequency of insecure short-term formal or informal jobs. Refugees, displaced people and minorities pose additional challenges to the country.

Analysis of relevant policies and identification of challenges in relation with the main priorities of the employment guidelines

The outdated initial education system and its lack of flexibility to adapt to the changing needs of the market and society are broadly recognised as impediments to the development of a dynamic, entrepreneurial and well-educated labour force. The evidence of the insufficient quality of the compulsory education system can be found in the PISA 2003 results, in which Serbia holds one of the lowest positions in terms of reading capacity and proficiency in mathematics for 15 year-olds. Compulsory education lasts for eight years. Around 93% of those completing primary education continue, choosing between the following options:

3 Republic Development Bureau, The Development Report for Serbia 2005
4 Source: Access to Education, Training and Employment of Ethnic Minorities in the Western Balkan, Country report for Serbia, ETF internal paper prepared by EURAC, 2005
5 Living Standards Measurements Survey (LSMS) carried out by the Ministry of Labour in June 2002 and June 2003
four-year gymnasium, which leads to the matura qualification and provides the possibility of entry to university;

four-year vocational education, which allows entry to university;

three-year vocational education, without access to higher education.

Secondary education is delivered in 127 general education schools (gymnasia) and 333 vocational schools. Vocational schools offer a choice of around 312 profiles, grouped in 15 sectors. The main problem with the secondary education system is that it is structured around educational profiles and course contents that now correspond to an obsolete economy. Vocational schools are under-funded, have old equipment and teachers are not up-to-date with their technical and didactical skills. Enrolment in secondary education is centrally planned, on the basis of predetermined places for each school and on profiles that do not correspond to either the preferences of students or the needs of the labour market. Student orientation is very limited. In addition, the content and quality of skills and knowledge that the education system transfers to young people is consistently criticised by employers due to a lack of problem-solving skills, entrepreneurial spirit, excessive theoretical knowledge and inadequate general and specific technical skills. Currently, 75% of enrolled students at secondary level are in vocational education.

There are currently 60 institutes/schools delivering post-secondary vocational training: 49 of them are State funded (52,814 students), while the remaining 11 are private. 40 public institutions/schools are the so-called ‘colleges’ (Visë Skole). Concerning the sectors covered by post-secondary VET, the majority of schools are in the technical field (26), nine in economics and business, three in food production and processing, two in medical issues, 11 for teachers, and one each for hotel management, police, and arts.

There are five public universities and three private. Serbia has a lower percentage (15%) of population with university education than in the EU15 (22%)6. In this regard, Serbia has achieved improvements in the development of its medium rather than high-level skills. However, the performance and quality of university education is weak, since only 11% of students graduate on time and the average length of studies is around eight years.

Minority communities seem to be undereducated when compared with the average for the country as a whole; the rates of people without primary education are higher than the country average for almost all minority communities except Bosniaks, Macedonians and Muslims. Education for ethnic minorities in Serbia is organised in nine languages all together: Hungarian, Romanian, Slovak, Ruthenian, Albanian, Roma, Croat, Ukrainian and Bulgarian. Secondary education for minorities is provided in Hungarian, Slovak, Romanian and Ruthenian. Higher education is provided bilingually (Serbian-Hungarian, Serbian Romanian) in four colleges (in addition to the previously mentioned Serbian-Slovakian) and four faculties in Vojvodina. Four types of education for minorities exist: education in a minority language, education in Serbian and a minority language, education in Serbian with courses in the mother tongue with elements of national culture and bilingual education. Nevertheless, certain minorities (like the Vlach national minority in North-Eastern Serbia or Ashkalis in Serbia/Vojvodina) are not provided with any teaching in their language in public education institutions. Textbooks in minority languages are translations of Serbian textbooks for primary and secondary schools, but authors belonging to national minorities write first language textbooks7.

There are no data available on the skills and competitiveness of the labour force in Serbia. However, the long years of disinvestment in new technologies and modern methods of work organisation within enterprises, involvement in subsistence agriculture and informal sector activities, suggest that a large section of the labour force may have the formal qualifications but not the updated skills necessary for a market-based economy. Ad hoc surveys among employers, undertaken through the CARDS Programme, demonstrate that, there is not a great need for specific technical and occupational skills, except in dynamic sectors such as healthcare, banking and financial services. However basic skills such as communication skills, teamwork, reliability and a positive attitude to work are often missing. The need for knowledge of foreign languages and IT skills is also often highlighted.

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6 Serbian Census 2002, ETF Key indicators data base, Eurostat
7 Source: Access to Education, Training and Employment of Ethnic Minorities in the Western Balkan, Country report for Serbia, ETF internal paper prepared by EURAC, 2005
The former Yugoslavia traditionally had a well-developed system for the education and continuing training of adults, both as part of the formal education system and through the network of workers’ universities; training within enterprises was also quite well developed. However, over the past 10 to 15 years this training infrastructure has collapsed. It is estimated that of the 200 workers’ and people’s universities that existed in 1990, only around 20 to 25 are still active: these provide courses in vocational training, foreign languages and IT, though most of them have inadequate facilities and staff.

At the same time, there is a growing diversification of training providers, including formal education institutions (secondary vocational schools and universities), chambers of commerce, NGOs, private training providers and small and medium sized agencies. The quantity of training delivered is quite limited in view of the needs of the adult population, and its scope is relatively narrow. Training within enterprises has been reduced to a minimum. It is estimated that only 31% of enterprises offer some kind of training to their staff. Workers in SMEs and those involved in informal sector activities have few opportunities to undertake training. Moreover, there is a general lack of quality training provision for redundant and unemployed people. Evidence from the EU-funded CARDS programme on training for unemployed and redundant workers in the Sumadija Region demonstrates that activation-motivation seminars and training for the development of basic skills (such as entrepreneurship, communication and positive attitudes to work) for unemployed individuals are equally as important as upgrading or converting technical skills.

Apart from the education budget, the NES also invests in training programmes for unemployed people, although the budgets are quite low (the amount spent for activation and training programmes for unemployed people in 2005 represented 0.026% of GDP). Private contributions to education are not measured.

In compliance with the government’s strategies (strategy for poverty reduction, strategy for the inclusion of Roma in the education system, National Employment Strategy), the Ministry of Education and Sport (MoES), the National Council of the Roma Community and the Institute for Pedagogy and Adult Education have started to implementing the project “Functional basic education of Roma adults”, partly funded by the Roma Education Fund (REF). The project’s objectives are the development of curricula for the functional basic education of adults, the social inclusion of Roma adults, increasing their employability and contributing to poverty reduction within this vulnerable group. In order to ensure that the project will contribute to the reform of adult basic education, a national team of representatives of the key national institutions has been established.

The number of the unemployed included in active labour market measures has increased over the last few years, but still only around 9.5% of the unemployed register with the NES. Emphasis is mainly given to provision of financial incentives for employment and self-employment of certain target groups. Currently, passive measures absorb more than 80% of the NES budget and payments are delayed for about seven months due to the lack of resources. Regular income from taxes for unemployment insurance plus the inflow from the state budget cannot cover the financial requirements of the NES. For many years the NES has been fully aware of the significance of training and additional education as important ALMM. The problem is the lack of resources, so activities (except languages and ITC) are organised almost only upon the request of employers. Only 5.9% of all unemployed people included in ALMMs participated in training programmes, the majority in ICT and foreign languages. Education and training is considered as an important measure, which can enhance the competitiveness of the unemployed on the labour market. Unfortunately, due to the lack of resources, priority is given to less expensive measures such as activation training and job fairs.

Currently activities of the Ministry of Education and Sports and the Ministry of Labour, Employment and Social Policies (MoLESP) focus on:

a. policy development (including legislative frameworks);

b. review of the institutional infrastructure for policy delivery;

c. pilot activities for curriculum modernisation, teacher training, assessment and quality assurance mechanisms, mainly supported by donor projects.

A new Law on Education was adopted by the Parliament in May 2004 that introduced a number of changes:
the establishment of a new National Education Council with a large academic membership and an extremely small number of social partners and other economic actors;

the integration of the existing VET centres under the Institute for the Improvement of Education.

Furthermore, with support from the VET reform programme a green paper on strategic developments in Serbia, “Policy and strategy for VET in Serbia”, was prepared in February 2005. The green paper is comprehensive and deals with issues of VET supply and demand, assessment and quality assurance, teacher training, finance, and national VET planning and governance. A new curriculum concept has been developed and piloted through the EU-funded CARDS VET reform programme. The concept follows a modular approach based on learning outcomes and drawing upon predefined occupational requirements. The development of a national qualifications system to bring the education system closer to economic and social needs has also been identified as a priority for the future. Unfortunately the competent authorities have not yet endorsed this document, thereby creating a gap in the policy implementation.

Summary

Technical or occupational specific skill gaps are not highly emphasised in Serbia for the moment. The Ministry of Education has launched ambitious reforms for the modernisation of the education and training system through the elaboration of policies and piloting activities. However, the ambitious reforms envisaged depend on the capacity of implementation and the available funds. Particular attention should be devoted to the area of adult training needs. In comparison with other active labour market measures, particularly the incentives for employment and self-employment, training provision for the unemployed is insufficient. Not much has been done on career guidance; in future this is a challenge for both the MoES and MoLESP together with social partners.

Analysis of EU and other donor support instruments in the field of employment and human resources development

In order to alleviate the high unemployment and poverty rates in Serbia, the European Union, through the CARDS Programme, has been carrying out targeted interventions in the areas listed below:

a. Employment

i. (CARDS 2002 - €2 million) – “Pilot training/re-training project for unemployed and redundant workers” implemented in the Sumadija region (and based in Kragujevac) in central Serbia. The project funded a labour market needs analysis, an employment development plan and, based on a partnership approach, developed 43 (re)-training courses for unemployed and redundant workers.

ii. (CARDS 2004 - €7.2 million) - Employment Support Programme provides support to the MoLESP and NES to implement the new Employment Law by (i) supporting policy development; (ii) strengthening the capacity of relevant actors to design and deliver sound and cost effective labour market programmes; (iii) improve the capacity of the NES and its local offices to provide quality services to the unemployed and redundant; and (iv) implementing an active labour market measures fund.

b. SME development

i. (CARDS 2004 - €4.5 million) – Strengthen the institutional framework for policy development and implementation including support the commitment of Serbia to meeting the terms of the European Charter for Small Business; improve the capacity and effectiveness of the SME support structures to provide quality business development services; fortify the institutional framework for innovation; and stimulate an increase in the number of start-up innovative enterprises.
c. Regional socio-economic development

- (CARDS 2003/2005 - €5.0 million) – regional socio-economic development project in the Banat region, two districts in Central Serbia and two in Southern Serbia. The project has the objective to (i) build up local economic and social development partnerships; (ii) develop regional economic development plans; (iii) build the capacity of local labour market offices and other service providers to deliver active labour market measures for the vulnerable groups and the unemployed; and (iv) establish a fund for local economic development projects.

d. VET Reform

- (CARDS 2003 - €13 million) - Provides assistance for (i) capacity building to policy and strategy development in the field of VET Reform (covering both initial and adult training), (ii) development and implementation of new curricula in 50 pilot schools in five economic sectors, (iii) transformation of five vocational schools into regional training centres, (iv) the establishment of an Innovation Fund for schools, and (v) upgrading of the school infrastructure (equipment and other teaching aids plus rehabilitation of buildings).

- (CARDS 2005 - €2.8 million) - Provides assistance for (i) capacity building, and (ii) development and implementation of new curricula in 15 pilot schools in three economic sectors.

e. Support to pre- and post-privatisation, enterprise restructuring and development

- (CARDS 05 - € 11.5) The programme has three components: (i) Turn Around Management (TAM): Support economic transition, market reform and increased employment by helping selected potentially viable enterprises to deal with market forces by transferring relevant commercial and technical know-how from Western European senior managers; (ii) Privatisation programme: Provide further support to SOE restructuring in order to generate greater economic efficiency, increase foreign direct investment and reduce the “quasi fiscal deficits” resulting from directly and indirectly funding the losses of these enterprises; (iii) Danube Project Preparation Facility (PPF): Develop new economic and employment generation opportunities by preparing bankable projects based on exploiting the competitive advantages offered to Serbia through the Danube River.

- The World Bank has provided a $10 million loan for an Education Improvement Programme for the modernisation of the education system;

- The ETF has organised several staff development seminars on secondary vocational education and adult education, of particular importance the development project on NQF, and prepared a VET Glossary in the Serbian language;

- GTZ funds an ongoing VET reform programme in 35 pilot economic related schools;

- The Swiss Agency for Development and Cooperation – establishment of a teacher training system;

- The British Council funds a project on quality assurance measures in the MoES, while the Canadian funded Educator Development Programme is implementing educational management training for key actors at different governance levels;

- A loan agreement has recently been signed with the European Investment Bank for €25 million for rehabilitation of pre-university school infrastructure. The implementation of this loan is supported through the technical assistance of the CARDS VET 2005 programme.

In the field of employment there are donor activities, which include the World Bank programme to support the NES to deal with redundant workers and the Swedish International Development Agency (SIDA) support to NES capacity development.
Despite the increasing attention from the Serbian Government in coordinating donor interventions there is still a significant risk of overlapping activities. One coordination example is within the National Employment Service (NES), where a specific function was established in order to harmonise the different donor actions, but still closer links will have to be established through the implementation of the project in order to ensure synergies where appropriate.

Many donors support the privatisation, and institutional development (World Bank, USAID, GTZ, UNDP), support to national competitiveness through cluster development (USAID), business advisory services (GTZ, Swiss Development Corporation, SEED); the EIB Global Loan Facility; and EBRD and Italian Government funded credit lines.

Summary

Even though Serbia has received quite substantial donor assistance, this is almost totally based on a "piloting philosophy" from both donors and internal initiatives, which has not succeeded in establishing a strong and sustainable system. The next step should therefore be to try to shape policies and interventions, which transcend this piloting phase. The need is now for national policymakers, with donor assistance, to analyse what has been and is being done and, based on the positive experiences, design and institutionalise the valuable inputs.

Analysis of governance and challenges for administrative capacity related to human resources development, employment policy and inclusion

MoES and MoLESP need to enhance their capacities (through training) as well as additional staff for better governance in the management of change. Much effort has recently been invested in the preparation of strategic documents and plans, but further commitment is needed for implementation. The NES, in compliance with the National Employment Strategy 2005-2010, adopted an “NES strategy of changes” for the period 2005-2010 and “a new protocol for work with unemployed people” in 2005. The latter resulted in the introduction of two new methods of working with the unemployed, group information sessions for newly registered unemployed people and individual employment plans.

The involvement of other stakeholders in HRD issues, like the Ministry of Economy, should also be tackled. This is vital for lifelong learning perspectives to be addressed.

The possibility for the government to increase resources in the reform process can be in conflict with the international obligations for reducing public expenditure, including staff. The number of civil servants was reduced last year by 10%.

The Serbian governmental office for EU accession has drafted an action plan for strengthening institutional capacities for fulfilling obligations arising from the European integration process. Particular attention is given to the continuation of state administration reform. Additionally, emphasis is also given to the development of structures for European integration.

Many efforts are envisaged to prepare Serbia for taking over responsibility for governance of EU funds, which includes the issue of decentralisation. Therefore special attention is proposed for procurement procedures and the allocation of grants and the payment of final beneficiaries.

Due to the long duration of this process and a need for achieved consensus within the governmental institutions some preliminary activities are envisaged, like:

- analysing current institutional capacities for the implementation of activities and tasks;
- employing additional staff;
- identifying and ensuring adequate technical support and funds for co-financing reform costs;
- identifying state bodies responsible for a decentralised system for the governance of EU funds;
- identifying necessary changes in regulations;
- basic staff training programme.
Due to the lack of capacities among Serbian institutions and an absence of knowledge and experience related to decentralised governance systems in Serbia, EU technical assistance is expected and needed in this process.

Decentralisation has already started in the NES, including the strengthening of social partnership at regional and local levels but this needs further support.

An overall challenge for the Serbian economy and labour market is to create better conditions for economic growth and job creation through improvements in the business environment, the quick restructuring of SOEs and the development of SMEs. Furthermore, a regulatory framework should be promoted that assists efficient labour reallocation. Given the extent of the informal economy, the difficulty is to attract workers to the formal economy and to motivate unemployed people to search actively for a job (in the formal economy). It is also necessary to dismantle barriers that impede the entrants of young people into (formal) employment. In order to achieve these objectives, it is recommended that a consistent set of measures be established, including the following:

- a proper social safety net for people who lose their jobs, through the timely payment of unemployment benefit;
- high-quality assistance in identifying job opportunities in the formal sector including counselling, motivation seminars and job search assistance;
- the targeting and selective provision of other active labour market measures such as training, wage subsidies and public works, based on an individual career plan;
- the introduction of proper evaluation of active labour measures.

**The first challenge** is the creation of a sustainable environment for the economic growth that can lead to job creation. This will require an integrated approach of economic development, employment and education through effective inter-ministerial cooperation and a stronger involvement of the social partners and civil society. The integration into the labour market of laid-off workers due to the privatisation process should be seen as a priority.

Work on the modernisation of the education and training system has already started. Further efforts in education policy development are recommended in the following areas:

1. A strong commitment on behalf of policy makers to transfer lessons from donor-funded pilot activities to the systemic level;
2. A sound institutional structure should be put in place for the further development and implementation of reforms, facilitating cooperation and exchange between the economy and the education system. The establishment of an inter-ministerial body for cooperation and coordination would facilitate the process.

**The second challenge** is to enhance the education and skills of the population through better education and training opportunities for all. This requires the improvement of the national education structure, with a focus on regional disparities (rural – urban), gender issues, building an adequate educational infrastructure, counselling and guidance. A real lifelong learning strategy, including VET, higher education and adult training, should be developed by ensuring successful reforms through institution building and systematic dialogue between the MoES, MoLESP, the social partners and businesses at all levels.

Serbia has been working towards the development of laws, policies and programmes for people with disabilities. Within the active labour market measures, there are special actions for the employment of disabled people. Concerning the ethnic minorities in the labour market, the MoLESP has developed a comprehensive Employment Action Plan (2005-2015) for Roma, including measures for the promotion of entrepreneurship, incentives to undertake formal business activities, etc. In addition, the National Employment Strategy for Serbia underlines the need to address both equal opportunities and reconciling work and private life.

**The third challenge** is to support to the most vulnerable groups to ensure their social inclusion and integration into the labour market. In this regard, investment in active labour market measures should be improved in terms of both quantity and quality.
Suggested priorities for action and EU support

In the perspective of achieving the objectives of full employment, quality and productivity at work, social cohesion and social inclusion we recommend to the adoption of EU Social Fund-type projects aimed at:

- Supporting efforts to increase investment in human capital, in particular by improving education and training systems;
- Developing institutional capacity and the efficiency of public administration at national, regional and local levels;
- Improving the entrepreneurship environment aimed at encouraging the development of small enterprises;8
- Supporting foreign direct investments creating employment;
- Supporting public institutions to target expenditure by coordinating donors and concentrating the scarce country resources on the main priorities. The Sector Wide Approach should be encouraged;
- Improving ALMMs with special attention to self-employment programmes and training aimed at adapting the employment offer to the employers’ demands;
- Designing and implementing measures that will better target vulnerable groups (young unemployed people, women, disabled people, Roma and other ethnic minorities, etc) and facilitating their employment; In this respect, the budget and quality of ALMMs should be improved;
- Actions aimed at developing institutional capacity and the efficiency of the public administration at national, regional and local levels, including the introduction of the mechanisms for monitoring the implementation of strategies and plans in the field of education and the labour market, focused among others also on the participation of minorities;
- Adopting of a strategy aimed at reducing informality in the economy and employment;
- Supporting professional and geographical mobility;
- Reinforcing social partnerships among the main actors in preparing, implementing and monitoring development strategies and their implementation;
- Social partners will be encouraged to actively participate in capacity building actions and to undertake joint activities in the policy areas where they play a decisive role (e.g. lifelong learning, modernisation of work organisation and tackling the consequences of restructuring);
- Governmental measures have to be adopted for increasing the participation of women in the labour market and increasing equal opportunities as part of a mainstreaming approach.

Concerning economic growth, it is necessary to support the adaptability and competitiveness of enterprises and support new business and enterprises through the implementation of the European Charter for Small Enterprises. The EU should continue to support central government and local authorities in dealing with the privatisation process.

In the field of vocational education and training, there is a need to continue secondary education reforms. It is necessary to start adjusting the education system immediately, primarily with a view to reducing the discrepancy between labour supply and demand. The strategic directions of the necessary changes in the educational system should be followed by the implementation of short-term and medium-term measures.

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8 The 3rd implementation report on the Charter for Small Enterprises of the European Commission puts Croatia in the lead together with Serbia amongst the Western Balkan countries for improving the entrepreneurship environment.
Short-term measures

- Establishment of accreditation bodies for curricula and institutions;
- Adoption of a comprehensive education strategy in Serbia (from elementary school to doctoral studies) in accordance with the country’s economic and social development;
- Strengthening of the capacity of vocational schools to deliver better quality services through the implementation of modernised curricula; teacher training and investment in infrastructure – for both school rehabilitation and equipment;
- Strengthening of the pre-service and in-service vocational teacher training system;
- Development of a strategy for the education system, with particular emphasis on the decentralisation process;
- Introduction of an examination system for general and vocational schools;
- Adoption of a strategy on adult education;
- Establishment of a Vocational Council at national level;
- Teacher training and education, coupled with the best possible equipment for schools.

Medium-term measures

- Development of a flexible and modern education system based on the lifelong learning concept;
- Establishment of a national framework for qualifications;
- Establishment of a framework for career guidance;
- Adoption of institutional models for monitoring education quality at all levels;
- Development and implementation of a strategy for the education of minorities, with special attention to the Roma people.

This paper is based upon the following ETF documents:

- Labour Market Review of Serbia, 2005
- NQF report 2005
- Copenhagen dissemination report 2005
- Access the education, training and employment of ethnic minorities in Serbia, 2005
- Curriculum reform and actual practice: the case of Serbia, September 05
- Entrepreneurship learning: promoting the European Charter for Small Enterprises in the Western Balkans and Moldova, December 05
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