

## SERBIA

### ETF COUNTRY PLAN 2009

#### Summary

The overall objectives of the ETF 2009 Work Programme are to: i) support the European Commission in the development and deployment of external assistance; and ii) support the continuing development of partner country capacities in Human Capital Development (HCD). The focus will be on specific initiatives emerging from current developments in education and training and employment and active labour market policy. ETF assistance will support the understanding of the goals of the EU's Education & Training 2010 agenda, Serbia's benchmarking, reporting and regional cooperation within the framework of teaching and learning processes, and entrepreneurship learning.



In the mid-term perspective 2009-2013 emphasis will be placed on quality assurance policies in vocational education and training, capacity building activities related to improvement of teaching and learning processes and entrepreneurship learning, understanding of adult learning policy challenges and identification of policy options, all issues that will be addressed in the framework of HCD for innovation, competitiveness and growth. Serbia will also participate in developing governance and administrative capacities for carrying out reforms and managing change in the employment and active labour market policy area.

The expectations are that policymakers and key stakeholders in Serbia will strengthen their capacities in HCD policy planning and implementation, improve the potential for cooperation on cross-sector issues, and are better prepared to identify and develop actions for IPA funds contributions in HCD.

# 1. Socio-economic background

in 2006, Serbia had 7.411.569 inhabitants; 51.4% are female. Life expectancy at birth in 2005 is higher for females (75.4%) compared with males (70.0%). The population is predominantly Serb (83%) with a significant and ethnically diverse minority. The biggest minority groups are Hungarians (300,000 persons or 3.9 % of the total population), Roma (1.4 %<sup>1</sup>), and Albanians (0.8 %).

According to the UNHCR, there were in September 2007, 97,672 refugees<sup>2</sup> and 206,504 internally displaced persons. Migration issues are not sufficiently researched in Serbia and, therefore, a small number of scientific papers deal with the consequences of the transition crisis and unemployment on the emigration of the labour force. The Serbian Diaspora is estimated in 4 million people. An estimated 50'000 citizens are likely to return from Western Europe in 2008.

The economic reforms undertaken during the last five years are reflected in growth of GDP (+ 4.7% in 2005 and 6.1% in 2006%)<sup>3</sup>. In the same period, FDI raised from 25 million \$ in the year 2000 to 1.5 billion \$ in 2005, mainly due to the privatisation of the state-owned enterprises. 1,200 socially owned companies have yet to be privatised. Small businesses have become an important segment of the economy of Serbia: they contribute over 45% of GDP, 27% of exports, and 55% of total employment. Still, around 30% of the GDP is attributed to the informal sector<sup>4</sup>.

Serbia is still confronted with important challenges:

- ♦ Low share of investments in GDP (estimated from 16 to 18%) is not sufficient to maintain in the long-term the high growth rates and implement the needed structural reforms, for which it would be necessary a GDP share of investments up to 22-25%.
- ♦ Trade deficit is around 26.6% of GDP due to the fact imports still remain at about 2.5 times the level of exports, being this large external imbalance financed by ever new borrowing.<sup>5</sup> This can be due to high level of national non-productive consumption, but also to insufficient competitiveness of the Serbian economy.
- ♦ *Public expenditures that exceed 45% of GDP*<sup>6</sup>.

Serbia is ranked 86 out of 178 economies in the Ease of Doing Business Report 2008. The indicators show a general deterioration compared with the previous year, except for "getting credit" and "closing business"<sup>7</sup>

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<sup>1</sup> Figures are not homogeneous: Roma living in Serbia are estimated to be between 400,000 and 450,000: UNDP, The Situation of Roma in Yugoslavia (Serbia and Montenegro) Compared to Roma in Central and Eastern Europe - [http://www2.undp.org.yu/files/reports/roma\\_in\\_yugoslavia.pdf](http://www2.undp.org.yu/files/reports/roma_in_yugoslavia.pdf)

<sup>2</sup> <http://www.unhcr.org.yu/utills/File.aspx?id=226>

<sup>3</sup> The World Development Indicators database, April 2007

<sup>4</sup> The *informal / grey economy* constitutes about 35-40% of Gross Domestic Production (GDP), according to independent research by the Centre for International Private Enterprise, Economics Institute (May 2001/2002). See in: <http://www.oecd.org/dataoecd/37/23/30632995.pdf>

<sup>5</sup> Harald Hirschhofer, 2005, IMF Resident Representative for Serbia and Montenegro. See: <https://www.internationalmonetaryfund.com/external/country/SGC/rr/2005/05/041205.pdf>

<sup>6</sup> Sustainable Development Strategy, 2007. Expected to be endorsed by the Serbian Government in Spring 2008.

The labour market in Serbia does not yet function efficiently and in fact presents a high degree of rigidity. The transition process in Serbia has resulted in high unemployment rate (21.6%, in 2006), and women, young people and minorities have been particularly affected. Labour market opportunities for People with Disabilities in Serbia are limited. Regional disparities concerning unemployment and employment remain one of the biggest challenges for Serbian socio-economic policies.

Serbia has reached the level of at least 70% or more literate population, which is considered as the minimum critical mass for human capital to spawn a perceptible impact on economic development<sup>8</sup>. In fact, according to the UNDP Human Development report 2007-2008, the Adult Literacy (% aged 15 years or more) in Serbia is 96.4%<sup>9</sup>

## 2. Key policy issues and strategies in Human Capital Development sector

The Human Capital Development sector is shaped by different public policies, which are in place in the country. Education and training, in particular VET, employment and active labour market policies, as well as crosscutting policy issues related to the equity and social inclusion, competitiveness and innovation policies, all provide the framework for Human Capital Development in Serbia.

### 2.1 Key policy issues and strategies in education

An advanced knowledge society is the key to higher growth and employment rates. Education and training are essential priorities for the Serbia in order to increase employment. The relevance of education is the extent to which it provides people, especially young people, with the skills and knowledge they need to be successful in the labour market. By this measure, Serbia's education system faces major challenges.

The educational attainment level of the population (25-65 years old), and in particular of the young population groups does not present a major deficit compared to the EU average. Educational attainment of the adult population still showed with 17% high qualified results below the EU including Bulgaria but better than Romania, and with only 30% low qualified a comparable low performance as in the EU.

However, situation deteriorated in the last decades. As seen in the ETF analysis of Labour Market in the Western Balkans (2007), enrolment rates in education for the 15-18 was 78% in Serbia versus 89.5% in the EU25 in 2004/05, more than in Romania (74.5%) but less than in Bulgaria (82%) or Croatia (83%); as well, participation of 19-24 years old

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<sup>7</sup> <http://www.doingbusiness.org/ExploreEconomies/?economyid=206>

<sup>8</sup> [http://www.unescap.org/drcpad/publication/ldc6\\_2174/chap1.PDF](http://www.unescap.org/drcpad/publication/ldc6_2174/chap1.PDF)

<sup>9</sup> [http://hdrstats.undp.org/countries/data\\_sheets/cty\\_ds\\_SRB.html](http://hdrstats.undp.org/countries/data_sheets/cty_ds_SRB.html)

in higher education in 2003 was 24%, not more than in 1997, and substantially less than Croatia, Bulgaria and Romania (all between 32 and 35%), far below countries such as Hungary (57%), Poland (54%) or Slovenia (73%). As well, qualitative results measured through international surveys show: Serbia scored very low in the most recent PISA survey<sup>10</sup>.

Serbia suffers a low priority for education as demonstrated by the low share of GDP devoted to education: 3.4% compared to 5.2% in the EU. This should be carefully considered by the Serbian decision makers considering how important is to invest in human capital together with physical infrastructure, taking on board the fundamental difference between the two categories of investments: the latter type of investment normally requires a one-time capital expenditures while to mould a generation of educated workers will require investment on continuous and long term basis. The need for further investment in education and training is recognised in the Poverty Reduction Strategy Paper (PRSP) adopted in 2003 as well as in the National Employment Strategy (2005-2010) and National Employment Action Plan (2006-07).

Secondary vocational schools offer a considerable number of specialist profiles (512 listed profiles, but only 251 active), grouped in 15 sectors. Vocational schools are under-funded, have old/obsolete equipment and teachers are not up-to-date in 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. Many donors' interventions in VET have resulted in introduction of new curricula and new methods of learning and teaching. However, the latter have not yet been integrated in the VET system.

Technical or occupation specific skill gaps are not highly emphasised in Serbia for the moment (unless in dynamic sectors such as health, banking and financing services or enterprises which have introduced new technologies) while generic skills such as communication skills, capacity for team work, reliability and positive attitude to work are often seen as lacking from parts of the labour force. Overall, the education and training system is not considered appropriate to support further development of the human resources so as to contribute to the economic development of the country

Post-secondary non-university learners are representative of many groups; school leavers (and early school-leavers), adults (in or out of employment), people with disabilities, those seeking specialist education & training in order to enter specific occupations and work-based learners are just some examples. The situation of the sector is complicated by the changes of the Više Skole into High Schools for Applied Studies (HSAS) through the 2006 HE Law, which implies that all routes after the secondary level are now 3 years preparing for applied bachelor degrees, situated at EQF 6 level. Thus, the perspective for 3 and 4 year VET

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[http://www.pisa.oecd.org/document/2/0,3343,en\\_32252351\\_32236191\\_39718850\\_1\\_1\\_1\\_1,00.html#tables\\_figures\\_dbase](http://www.pisa.oecd.org/document/2/0,3343,en_32252351_32236191_39718850_1_1_1_1,00.html#tables_figures_dbase)

graduates when they need to continue further education is to go for an additional 3 years in institutions where the importance of theoretical subjects was reinforced in order to align them to Faculties, even though the Law on Higher Education introduces a distinction between bachelor and applied bachelor degrees.

Recent developments of the Bologna process have introduced the idea of intermediate levels in particular between the end of secondary education and bachelor degrees to accommodate these needs situated at EQF level 5 (which corresponds with short vocational higher education courses, when EQF level 6 corresponds to the bachelor grade). But according to first results from the EAR funded study on "Development of post-secondary non-university education" there are no institutions in Serbia providing such qualifications.

Adult education and training is particularly underdeveloped. Obviously, the high unemployment rate is not an incentive for employers to develop training for employees, and public resources for labour market training are scarce.

Outside of the legal (formal) system there is a whole range of non-formal and informal learning and training, but the current education legal framework does not recognise learning outside of formal system nor does it give mechanisms for recognitions of prior learning.

At present there is no lifelong learning strategy that should address some fundamental issues:

- Strong partnership should be set up among the main actors including relevant Ministries (education, economy and regional development including employment, finances.) and social partner representatives, in order to analyse the role of each component of education and training systems, to identify its contribution to the main economic and social goals and to set up priorities. This approach should involve also Higher Education sector.
- The length, the objectives and the methods of primary and secondary education should be reviewed. In particular the architecture of upper-secondary pathways should be fundamentally reviewed and articulated with a post-secondary and short higher VET provision to design and to implement. The objective would be to prepare students to the medium term goals of economic and social objectives, to enhance and update the qualifications provided by the education system and to open the door to qualifications produced in companies and to their recognition and validation. The provision of a NQF would make a strong contribution. Such partnerships would be also the right place to discuss and address the issues of low funding for education. Solutions would need a joint effort by the government and the private sector. As seen in the new Member States, a policy based on incentives to individuals and to companies can make a strong contribution to CVT development on medium term. Incentives should also be given to the development of a private training sector. Implementing a LLL strategy means also

involving all relevant actors at all levels. In this perspective, it is clear that much greater autonomy would be given to VET schools particularly with the view to support local partnership and facilitate the way to answer the needs of the labour market and the companies at local/regional level. The development of RTCs has already proved the validity of such approach. Of course this will also need substantial training since the system in general and the head masters in particular are used to work in a very centralised culture. This also would need the development of a national quality assurance framework and relevant and effective procedures.

- Decentralisation will also mean developing at regional level the capacity of Inspectorates to change fundamentally their role and to become the best and pro-active counterparts of the municipalities in the given region. In such context, the map of VET should be seriously reviewed and articulated to universities and HSAS. This regional level would also be the right one to address the needs of CVT including labour market training, in close cooperation with the Employment Services.

### **2.1.1 Perspectives and challenges**

Serbia suffers also a lack of continuity in the design and implementation of education policies, as well as the existence of severe policy tensions between different groups, linked to political options. There is in particular a clear opposition between 'conservative' versus 'European' approaches; this is shown in the composition of the National Education Council where very little room was given to social partners and representatives of the economy contrary to the wide representation given to faculty professors. This appears in the design of curricula where curricula for general education are still very traditionally drawn up when vocational curricula take into account the new EU competence based and learning outcomes approaches. This is also obvious when looking at the recent Law adopted on higher education, which managed to maintain the strong power of Faculties and give little responsibilities to Universities. The Law on higher education changed the Vocational High Schools into High Schools for Applied Studies where the traditional scientific fields were strengthened as well as the share of PhD among teachers at the detriment of professionals coming from businesses. As emphasized by the advisor to the Minister for higher education in February 2008, the objective is to reinforce selection of students in order to have the best and to prepare them for highest positions in the knowledge and research community. Democratisation of higher education is not on the agenda. As the result, the gap between upper secondary VET and higher education is now growing.

However, things are moving. Conversely to the positions expressed about HE, awareness seems growing that the whole primary and secondary education system has to operate in-depth changes. This may have been influenced by the bad results coming from PISA, but also from recent observations that young graduates from upper secondary general education have acquired only knowledge and no skills and are not able to properly enter the labour market. In fact, secondary education graduates appear to be no more successful in the labour market than those with just a primary education: employment rates for those with less than primary education are better, because of the

prevalence of low-skilled jobs. Secondary graduates have the highest unemployment rates. Therefore, there is no doubt that the relevance and quality of secondary education must be improved with the aim of facilitating the transition to the labour market by strengthening the general secondary school education and reforming the VET system. As the result, in-depth reflections and work have started about primary and secondary education, quality assurance approaches are developing with the view to introduce key competences starting in primary education, and a new Law is in preparation.

In this context, the VET reform suffered delays and severe changes in policy orientations. A National VET Centre had been set up and has become now a department in the national Education Centre. A National VET Council had been foreseen but never implemented. Strategy documents for initial VET and for CVT had been adopted at the end of 2006 but still wait the approval of the parliament. Measures implemented as part of the CARDS VET programme have not been confirmed. But it can be expected that the global reform of secondary education create a better context for a sound VET reform, based in particular on a modern and flexible framework promoting horizontal and vertical pathways, in good correspondence with the needs of the economy and the society. But the gap between upper secondary VET and HE will have to be overcome, as well as the lack of post-secondary VET and short higher VET provision. A good opportunity for such a comprehensive reform is the needs expressed by the Ministry of Labour, the Chamber of Commerce and Employers Unions in favour of a substantial reform of the VET components and of developments of CVT.

## **2.2 Key policy issues and strategise in employment and active labour market policies**

The government of Serbia has adopted the *National Employment Strategy 2005 – 2010*, which defines specific directions for tackling the problem of unemployment in transition and proposes solutions in terms of development needs. The document is based on the 10 Guidelines of the European Employment strategy and two additional priorities that are important for the country (support to direct foreign investments and activation of domestic savings deposits in order to (1) sustain and increase employment and (2) reduce discrepancies among regional

labour markets. Interregional discrepancies in economic and demographic development put Serbia at the top of the European list. The poorest municipalities are situated on the south, southeast and southwest of the country. Their economy is undeveloped and therefore offering no possibilities for new employment. Thus, the vital interest of Serbia is the reduction of these discrepancies. This could be achieved in the long run through the permanent creation of favourable conditions for the increase of direct investment and productive employment. The preparation of the document involved social partners, relevant institutions, organizations and other stakeholders.

For the implementation of the above-mentioned strategy, the Government adopted a National Employment Action Plan (NEAP) for 2006-2008. The Plan is based on five priorities:

- Reducing unemployment;
- Broadening the scope and types of active employment measures;
- Assisting those made redundant as a consequence of the rationalisation programme;
- Improving social dialogue; and
- Decentralising and modernising the work of the National Employment Service (NES).

A high priority is given in the Plan to two long term and the young unemployed. Each year, the line Ministry delegates, through a Performance Agreement, the implementation of active employment policy measures to the NES and allocates financial resources necessary for this purpose.

The active support to employment growth and unemployment reduction consists of the active measures, such as: *job fairs, active job search, additional education and training programmes (functional elementary adult education, internship, volunteering, co-financing of talents, trainings), entrepreneurship development and employment programmes (training for entrepreneurs, employment subsidies, regional programmes, employment of persons with special needs, employment incentives for risk groups) and public works*. There is a clear unbalance in spending for active and passive labour market measures. In 2005 0.9% of GDP was spent on passive measures and only 0.096% on active measures (ALMMs). As for unemployment benefits, in September 2007, 66,852 persons were receiving unemployment benefit (23,713 technology-associated redundancies and 6,261 redundancies resulting from bankruptcy or winding-up).

The high level of unemployment requires important efforts not only in improving the efficiency of NES, but mainly by creating new jobs. Therefore, economic development should be a priority for the country as this is the only way to create sustainable jobs. Beside local development, special attention should be paid to the development of Foreign Direct Investment, today mainly induced by the privatisation process, and to SMEs, which are currently the backbone of the Serbian economy. A concrete measure taken by the government to stimulate employment is the fiscal and financial support to start-up enterprises (tax cuts from 50% to 62% + the launch of start-up loans up to 30 000 euros;

as a result, the Vojvodina Development Fund also approved so far more than 200 start-up loans to SMEs. In this perspective a certain improvement can be considered the decision of the Government to move the Employment Department from the Ministry of Labour to the Ministry of Economy and Regional Development, therefore linking the fight to unemployment to job creation.

By law, employers have to report job vacancies to NES, however only around 10% of those vacancies are filled through NES mediation. There is a visible change in the NES attitude towards employers, but NES has to more proactively market its service to employers, while the latter do not have the culture to communicate their needs to NES. As a result, combined with the structure of the Serbian economy, employers prefer to use informal channels to recruit workers. Currently, there are about 25 licensed employment agencies.

### **2.2.1 Labour market and employment features**

The structural adaptation of the economy has created important pressures on the Serbian labour market. Both, the activity rate of the labour force (63.6%) and employment rate (49.9%) has in 2006 slightly decreased in comparison with 2005, this was more evident for the activity and employment rate of women (56.2% and 40.8%) and young people (35.8% and 19.5%).

The labour market in Serbia does not yet function efficiently and in fact presents a high degree of rigidity. Socially owned and state enterprises have been over-manned and workers overprotected and comparatively immobile. There are many people on the unemployed register who should not be there because they are active in the gray economy, or because they have no serious intention of looking for or accepting work, or because they are registered for health insurance purposes. It would be necessary to reduce new pressures on labour market by improving the employability skills of the redundant employees. As already done through the so called "transition centres" it is necessary to introduce incentives for employers in order to employ redundant workers with the deployment of the severance pay.

According to the Statistical office data, there were a total number of 2,002,344 employed: the majority was in manufacturing, trade, health and education. The number of individual entrepreneurs, persons solely running business and their employees was 569,494.

Concerning the employment by main sectors in 2007, half of it is present in services, while industry represents 23% and agriculture 21%.

The transition process in Serbia has resulted in high unemployment rate, with women young people and minorities particularly affected. According to the Statistical Office data in September 2007 there were 882,882 registered job seekers (women 54.1%). The official registered unemployment rate was 26.0% in the same month.<sup>11</sup> The registered as first-time job seekers were 395,802 persons (women 58.7%). First-time job seekers represented 49% of the total number of unemployed.

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<sup>11</sup> NES. Monthly Statistical Bulletin No. 61. September 2007.

Highly educated young people are more likely to be unemployed than those with lower education. The NES reports a high share of people unemployed for more than 2 years among unskilled persons (64.2%), but also in other groups (53.9% of unemployed skilled workers had been waiting for a job for more than 2 years). The participation rate for unskilled and semiskilled workers was strikingly high, at 37.2%.

About one-half of those young people who are interested in working cannot find a job. Although young people in most countries tend to have problems making the transition into the labour market, their situation in Serbia is particularly difficult. Participation and employment rates for youth are low. When young people do find jobs, it is more often in the informal sector than in the formal one. The poorly educated and young people are significantly over-represented in the informal sector relative to the formal sector. Wages for informal sector workers are 20% below those in the formal sector, and workers in this sector do not easily move into formal-sector jobs. As Serbia's labour market becomes more flexible and dynamic with higher levels of investment, those who have been out of work for some time will be at an increasing disadvantage.

Flows between employment, unemployment and non-activity in Serbia are significant. Labour mobility in Serbia is much higher than in other transition economies and close to the mobility of the very dynamic US labour market. Serbia has activity and employment rates lower than the EU15 (69.7% and 64.3%) but at the same level as the new EU Member States (65.8% and 55.9%). The major difference is that the economy in Serbia does not generate good and secure jobs for a large part of the labour force. Many individuals have a weak attachment to the formal labour market and are often moving out of and into different forms of temporary employment, unemployment, and inactivity.

The overall participation rate is affected by low participation of women in the labour market. The participation rate of in 2005 was 56.2%, while for men it was 74.3%. The lowest participation rates of women was recorded for those aged 15–24 (only 30.6%), as they usually take care of family and household responsibilities instead of entering the labour market.

Women, particularly young were less likely to be employed than men, and more likely to be unemployed than their male counterparts, despite their better educational achievement.

The issue of long-term unemployment must be tackled. In October 2005, more than 455,000 persons (51.1% of the total registered unemployed) had been unemployed for more than 2 years. Average duration of unemployment reached 49 months in 2006. Long-term unemployment affects equally both women and men (79.6% versus 78.4%). Within this group, the less educated and vulnerable groups, such as disabled persons, Roma population, refugees and IDPs are particularly disadvantaged. Another major problem is the low employment rate (18.7%), and high unemployment rate (47.7%) of young persons between 15 and 24 years old, which is significantly different than in the EU.

## 2.3. Cross-cutting issues

Serbia has a significant and ethnically diverse minority. The biggest minority groups are Hungarians (300,000 persons or 3.9 % of the total population), Roma (1.4 %<sup>12</sup>), and Albanians (0.8 %). The Hungarian minority is concentrated in Vojvodina, where it is about 15 % of the total population. The Albanian minority is mostly concentrated in three municipalities (Medvedja, Bujanovac and Preševo), which are located along the border with Kosovo. In these three municipalities, the Albanian population accounts for 64.7% of the total population. There are wide discrepancies between the existing official statistics, which are still those collected during the census in 2002 and the unofficial estimates of the actual number of persons belonging to certain national minorities, including the Roma.<sup>13</sup>

The enactment of the *Minorities Protection Act*<sup>14</sup> awarded the Roma the status of a national minority. Earlier, the Roma community had the status of an ethnic group and was formally in a position of inequality with respect to both the majority population and other minorities. The status of a national minority was also given to: Ashkalis, Bosniaks, Gorani and Tzintzars.

### 2.3.1 Minorities and education

The rights of persons belonging to national minorities to receive education in their native language have a constitutional character, but other steps are necessary to realise the constitutional provision, e.g.: the adoption of a *Law on the Protection of Rights and Liberties of National Minorities*, a *Law on the Fundamentals of Education System*, etc.

Comparing to the average illiteracy rate on the republican level (3.45%), 10 ethnic communities have a higher rate of illiteracy. The largest percentage of illiteracy is among the Roma (19,65% - which means that every fifth person belonging to this community is illiterate and 6 out of 10 did not complete elementary school), Ashkali (10,55%), Vlachs (10,52%), Albanians (7,70%), Turks (5,49%), Bulgarians (5,45%), Bosniaks (4,99%), and Romanians (4,64%). There are almost no illiterates among the Czechs, Tzintzars and Yugoslavs (the rate of illiterate persons is below one percent), while the illiteracy rate is also low among the Montenegrins, Bunjevaci, Hungarians, Skoci, Germans, Macedonians and Croats (from one to two percent).

Despite a strong legal framework allowing equal opportunities in education for all, there are clearly other factors, such as cultural and economic, but also the issue of a real integration at school level has not been addressed properly.

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<sup>12</sup> Figures are not homogeneous: Roma living in Serbia are estimated to be between 400,000 and 450,000: UNDP, The Situation of Roma in Yugoslavia (Serbia and Montenegro) Compared to Roma in Central and Eastern Europe - [http://www2.undp.org.yu/files/reports/roma\\_in\\_yugoslavia.pdf](http://www2.undp.org.yu/files/reports/roma_in_yugoslavia.pdf)

<sup>13</sup> ALEKSANDRA VUJIC, Access to Education, Training and Employment of Ethnic Minorities in the Western Balkans, December 2005

<sup>14</sup> Adopted at the federal level on 27<sup>th</sup> February 2001.

### 2.3.2 Minorities and labour market

The participation of the national minorities in the labour market in Serbia is regulated by the *Labour Act*<sup>15</sup> (articles 18, 19, 20, 273) and *Law on Employment and Unemployment Allowance*<sup>16</sup>. Data on the representation of the minorities in different strata in Serbia are not available. In 2004, less than half of the persons from the ethnic communities in working age was active in the labour market.

Among them Albanians, Bosniaks and Roma constitute the highest percentage of the population with low personal income and supported population. Macedonians, Yugoslavs, Montenegrins, Slovaks, Serbs and Ruthenians are communities with the highest rate of the economically active population.

As to the rate of unemployed in relation with the employable population, demographically «young» ethnic communities rates (Egyptians, Albanians, Roma, Gorans, Muslims, Ashkali and Bosniaks) are outstanding. The least unemployed are the «old» communities (Vlachs, Jews, Bunjevaci, Hungarians, Slovaks, Romanians and Ruthenians), but this is due to the fact that among them are a large number of retired persons, farmers and persons temporarily employed abroad<sup>17</sup>.

### 2.4. Summary of key policy issues and challenges in HCD

Among the main challenges Serbia is facing in the area of education are:

- a. The insufficient capacity of the line Ministries, which makes questionable their absorption capacity. This is partially addressed in the field of VET through the creation, thanks to the support of IPA 07, of a VET Council and a VET Agency. But the capacity of the MoE to deal with the challenges of a LLL approach is not there. Inter-ministerial cooperation is an issue. The example of the lack of cooperation between the Ministry of Education and the Ministry of Economy and Regional Development in the field of Adult Learning is creating problems that can bring to the creation of a parallel network of Regional Training Centres managed by the NES besides the 5 pilot established, with the support of the CARDS Programme, under the MoE.
- b. The network of VET schools needs to be rationalised in order to respond to the needs of the labour market. The adoption of a National Qualification Framework can contribute to the scope.
- c. The ongoing reform of VET sector has to be linked to the reform of the entire education system (including primary, secondary general and Higher Education. In this respect the current 3 and 4 years VET curricula need to be reviewed considering the impact of the Law on Higher Education on the former post-secondary non-university schools.
- d. The lack of established procedures for Accreditation and Certification of the courses an training providers is also contributing to the scarce development of the private training sector.

The main challenges in the area of employment are:

<sup>15</sup> RS Official Gazette, no. 24/2005 and 61/2005.

<sup>16</sup> RS Official Gazette, no. 71/2003 and 84/2004.

<sup>17</sup> OSCE - ETHNIC MINORITIES IN SERBIA: An Overview February 2008 - [http://www.osce.org/documents/srb/2008/02/29908\\_en.pdf](http://www.osce.org/documents/srb/2008/02/29908_en.pdf)

- Job creation. The high number of unemployed and the number of new entrants in the labour market require a big effort in creating new job opportunities. This objective can be achieved through support to further growth of SMEs sector as a main generator of jobs creation and attracting FDI. Employment policy should better respond to the local economic and human capital needs, and the role of local stakeholders/communities have to be further strengthened.
- The number of state owned enterprises still to be privatised will add other challenges. The adoption of appropriate preventive measures can reduce social tensions.
- Informal economy. More than 30% of the economy is informal. Efforts should be directed towards reducing informality.
- The modernisation of the National Employment Service has contributed to the overall increase of the institutional capacity to fight against unemployment. Government responsiveness on the employment issues improved, but a lot still needs to be done particularly reversing the ratio between passive and active labour market measures. The active labour market measures need to be further restructured. More attention needs to be given to increase of employability of the most vulnerable groups (e.g. long term unemployment, youth, poorly educated, women, disabled, minorities) and measures should much better correspond to the needs of the local socio-economic environment and demand. The linkage with employers should be further improved in order to facilitate the mediation from NES in job vacancies matching. Institutions responsible for employment policies need to increase capacities for monitoring of employment policy. Cooperation between all relevant stakeholders need to be advanced at all stages and at all levels.

The main challenges in the area of social inclusion are:

It is necessary to intervene with new programmes, measures and activities directly targeting the poorest and the most vulnerable groups (long term unemployment, youth, poorly educated, women, disabled, minorities), particularly in the areas with ethnically mixed population (Southern Serbia, Sandzak). As regards social inclusion, measures have been adopted to promote the participation of members of *minorities* in the education system and their representation in public administration. Problems persisted, however, in the area of information in minority languages. Minority communities seem to be undereducated when compared with the average for the country; the Government has adopted a number of Action Plans concerning Roma people, however, their situation remains precarious.

### 3. EU and other donor policies and interventions

The EU funded projects, as well as many other donors' projects have been or are carrying out targeted interventions in HCD in order to alleviate the high unemployment and poverty rates and support VET reform process in Serbia.

#### a. EU funded CARDS projects

In the field of Vocational Education and Training CARDS Programme has financed more than 20 M€ projects aimed at supporting VET reform, including supply of IT and specialist equipment and assistance to EIB in the implementation of a loan package for restructuring schools. Interventions were also foreseen for Higher education, beside the Tempus programme.

For the support to Unemployed and Human resource development, the EU funded programmes amount to around 14 M€. The running programme, commenced in June 2007, is targeting a minimum of 1500 unemployed providing training and assistance for getting a job.

Initiatives have been also financed in job creation through programmes on SME development (11 M€), local development through support to municipalities (42 M€) and regional development (5 M€).

#### **b. The instrument for pre-accession assistance (IPA 2007-2013)**

As potential candidate country, Serbia will receive EU support through Component I -The Transitional Assistance and Institution Building Component.

Concerning IPA 2007, a project fiche has been prepared by the Ministry of Education, with the support of ETF, on "Modernisation of the vocational education and training system in Serbia". The programme will focus on: (1) Strengthening the governance of initial and continuing education; (2) Strengthening social partnership; (3) Adult learning; (4) Quality Assurance; (5) Further development of the NQF; (6) Assessment and transfer of pilot experience to systemic level; (7) EIB Education Sector Loan Facilities.

#### **c. Other donors projects**

- The World Bank, GTZ, the Swiss Agency for Development and Cooperation, the British Council, DFID are providing support to sector initiatives aimed at improving human capital.

#### **d. The European Training Foundation**

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 Serbian language. ETF has contributing to the improved capacity of the staff of the Ministry of Education, Economy and Labour in dealing with the implementation of IPA 2007 and 2008.

#### **Key challenges**

Even though Serbia has received quite substantial donors' assistance, this has been almost totally based on a "piloting philosophy" not succeeding in the establishment of a strong and sustainable system. The next step should therefore be to try to shape policies and interventions, which transcend this piloting phase. There is a need to develop the capacity to analyse what has been and is being done and based on the positive experiences design and institutionalise reforms. To be able to achieve the latter a strong commitment on behalf of policy makers to transfer lessons from donor-funded pilot activities to a

systemic level is the key pre-requirement. In addition, many strategies and plans have been developed in education and training sector, but not all adopted and implemented and even those that were adopted (like in employment sector) suffer its implementation. In conclusion the following aspects need to be addressed: problems with the piloting philosophy and the absorption capacity, lack of inter-ministerial cooperation, poor involvement of social partners in HRD related policies, difficulties with decentralisation in terms of policy delivering and sharing of responsibilities and lack of transparency in the decision making process. Even if the procedure is very demanding, the adoption of the Sector Wide Approach (eg in the field of education) could contribute both to the re-enforcement of the management capacities of the country and facilitate donors' coordination. This could also be an indirect way to solve the problem of the absorption capacity avoiding that the same structures are overstretched by uncoordinated interventions from the international community.

#### 4. ETF intervention strategies in the mid-term perspective

In the period 2009-11 the ETF will continue its strategy of assisting Serbia in dealing with challenging HCD policy issues. Therefore, the ETF mid-term perspective for Serbia is designed to address the issue of Human Capital Development (HCD) in the context of the Stabilisation and Association Agreement. Comprehensive HCD through investment in education and training and active labour market policies is an important part of the entire governance of the system in the attempt of achieving successful implementation and reaching the goals of undertaken policies.

##### a. Key policy issues in ETF intervention strategy

The ETF mid-term perspective for Serbia is shaped by two major streams: (i). priorities to tackle the policy issues in HCD as indicated in chapter 2.4, and (ii) ETF initiatives undertaken to develop local capacity to deal with the policy issues in HCD. Therefore, the key policy areas in which ETF will work are:

**Quality assurance in VET:** Serbia continues to progress in reforming its Vocational Education and Training (VET) system. However, VET in Serbia is fragmented and with variable quality delivery across the country.

In particular, the emphasis will be on quality aspects in terms of accreditation and assessment of VET providers. The process will be based on a combination of ETF measures to facilitate policy dialogue. The major goal will be to identify issues and actions from the stakeholders' perspectives that shape the quality assurance in VET in Serbia, and in particular to clarify accreditation and assessment policy in the country.

**Teaching and learning, and entrepreneurship learning:** Education in Serbia must first and foremost help to develop and enable students to fit into the changing context of the society. Skill needs change at an accelerating rate following close global competition and the development of knowledge, technology and organisations. Thus, learning-to-learn

skills, entrepreneurship learning and other key competences become more and more important in Serbian vocational educational and training, as part of the broader framework of teaching and learning. Paying particular attention to entrepreneurship and putting the emphasis on the individual learner with a view of innovation and competitiveness is important part of ETF mid-term intervention in Serbia.

#### **Post-secondary education:**

Post-secondary education is a new intervention section in which ETF will need to focus more intensively in the mid-term perspective. The major outcomes as a result of ETF intervention in this area will be progress in policy development for post-secondary higher VET with a view of lifelong learning perspective for Serbian citizens.

#### **Adult learning:**

In the mid-term perspective the aim of this ETF intervention area is to raise the understanding of policy makers about existing gaps in adult learning provision, as well as about improving awareness about policy implications of measures in active labour market policy and social inclusion.

### **b. Measures in the ETF mid-term intervention strategy in Serbia**

In the period 2009-11 the ETF will continue its strategy of assisting Serbian determining policy priorities, mobilising sector engagement, policy dialogue for consensus building, providing systemic feedback and creating the necessary knowledge in the education and training policy issues, as well as employment and active labour market policy. The majority of ETF initiatives in Serbia applies the concept of policy learning - aimed at sharing partner country knowledge on systemic issues and of the connection between education and training policies and broader socio-economic policy challenges (poverty reduction, transparency, migration, social participation and employment).

The ETF aims to assist Serbia in policy formulation and implementation in areas as identified in the previous section. During the period 2009-11 in Serbia the ETF will respond comprehensively to these strategy directions, applying the following measures:

- ⇒ Update country intelligence and provide inputs and advice for country-based activities to support decentralized management of EU funds, as well as reinforce stakeholder networks by creating operational links with IPA country stakeholders on HCD sectoral issues;
- ⇒ Provide policy analyses and advice in HCD with regard to identified policy issues which will result in improved policy implementation and planning for IPA programming;
- ⇒ Support capacity building in regard to EU Education and Training 2010 and Copenhagen process policies, to apply major EU instruments such as the Common Quality Assurance Framework, the European Qualifications Framework, Education and Training 2010 benchmarks and indicators, teacher training, entrepreneurial learning, etc.;

- ⇒ Provide policy monitoring in the sector of education and training, employment and labour market policies and link it with on-going implementation of the Government strategies and with running EC HCD sector programmes;
- ⇒ Facilitate development of instruments and tools for design and planning, implementation and monitoring of active labour market policies with particular attention to adult learning and skills development.