



SERBIA

REVIEW OF HUMAN RESOURCES DEVELOPMENT

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REVIEW OF HUMAN RESOURCES DEVELOPMENT

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October, 2010

FOREWORD

This report is about the future of Serbia. What are the choices that should be made regarding the education of young people, how can the education system better match labour market needs, what should be done as regards lifelong learning, and how should Serbia deal with unemployed people or those disadvantaged in the labour market? I welcome this interesting and valuable document which I am sure will make an important contribution to Serbia's efforts towards accession to the European Union (EU).

This report, prepared by the European Training Foundation (ETF) at the request of the Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission, seeks to set out an objective picture, harsh at times, of the situation as regards human resources development in Serbia. The analysis is comprehensive and clear and consistently based on facts and figures. The review also aims to provide options and recommendations for a future human resources development strategy.


The report underlines the difficulties faced by Serbia, while confirming its great potential. As such the report presents the challenges and requirements for (further) change.

We believe this report will help Serbia, which has not yet received candidate country status, to progress towards a medium term operational programme for human resources development, addressing its current weaknesses and preparing it for the challenges of tomorrow. Any such programme should be elaborated in partnership with all relevant stakeholders, the social partners in particular.

Since 2007, the Instrument for Pre-Accession Assistance (IPA) supports five policy areas, including human resources development (Component IV). It helps candidate countries to fulfil EU requirements and in particular to prepare them for the use of the European Social Fund.

I believe this independent review will help Serbia in its preparations for the IPA. It will make programming, and related choices, concrete. Progress on programming will soon make clear that resources are essential for delivery. The establishment of a modern administration, applying accountability and transparency as key principles, is vital.

Real progress on these elements – programming, partnership and institutional capacity for management of the European Social Fund – would indeed constitute a very positive signal to the European Union. I hope that this excellent report will assist Serbia in doing exactly that.


 13/10/10-

Robert Verrue
 Director General for Employment,
 Social Affairs and Equal Opportunities
 European Commission

PREFACE

Over the past 15 years, the EU enlargement process has provided solid evidence that human resources are extremely important in the wide-ranging reforms launched by countries on their road to EU membership. At present, the Western Balkans and Turkey invest huge effort in harnessing the potential of their human capital and maximising its contribution to economic and social welfare.

The Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission asked the ETF to draft a human resources development country review for Serbia. This has given the ETF the opportunity to look at the development of human resources as both an aim and a means of EU driven reforms. This review reflects the ETF's understanding of the major human resources development challenges faced by the country vis-à-vis its overriding objective of EU accession and its endeavours to achieve sustainable growth, increase prosperity and enhance social cohesion. It is my hope that the findings and conclusions of the review will inform the IPA programming exercise of the European Commission and the national policy-making process.

The review has been prepared by the ETF country team for Serbia. It focuses on the interplay between two major aspects of human resources development: education and training in a lifelong learning perspective and employment. The review also reflects on the importance of equal opportunities in society for the quality of human capital development and takes into consideration the inclusiveness of Serbia's education, training and employment systems.

Relevant national and international documents, research papers and studies have provided a solid frame of reference for the review. In the process of collecting up-to-date information and the verification of the main findings and conclusions, ETF experts have consulted and involved key national stakeholders. During a series of missions to Serbia between November 2009 and March 2010, the ETF team conducted interviews and discussions with representatives in the Ministry of Education, the Ministry of Economy and Regional Development, the Ministry of Labour and Social Policy, the National Employment Agency, the Centre for VET and Adult Education, education institutions and employment offices, the main social partners and civil society organisations, as well as the EU Delegation in Belgrade, and bilateral and international donors. The draft version of the review was discussed at a national workshop held on 9-10 June 2010 in Belgrade.

On behalf of the ETF, I wish to thank the Employment, Social Affairs and Equal Opportunities Directorate General of the European Commission for entrusting us with the preparation of the review. I would also like to extend my thanks and appreciation to all experts and institutions in Serbia for their responsiveness, involvement and valuable contributions to this paper. I am convinced that this report can be used effectively to better inform decisions and actions at both European and national levels. At the same time, I would like to underline the importance of continuity in the policy-making process at national level, in all its phases: policy formulation, implementation, monitoring and evaluation, and to assure Serbia that the ETF will continue to provide support for fostering the development of the human resources in the country.



Madlen Serban
Director
European Training Foundation

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EXECUTIVE SUMMARY

Important policy measures have been implemented recently in Serbia, representing a new policy direction that builds much more on national priorities and ownership. The new Law on Education System Fundamentals lays the cornerstone for future developments and is providing clear guidelines for action in the short term. Activation of the National Education Council provides substantial support to continuing development, quality care and monitoring of the overarching progress of the education system. The advisory role of the Council for VET and Adult Education is an important new voice, hopefully with a capital 'V' and it has a number of important functions, among others links with business, national qualifications framework (NQF) and new curricula. Serbia has recently designed two new Tempus projects; one aims at developing a national education research capacity and the other aims at establishing new basic teacher education (as specified in the new Education Law) designed as a result of collaboration between the Ministry of Education and a number of Serbian and foreign universities. This represents a whole new model for teacher qualifications in Serbia. Both initiatives are generated and owned by Serbia, which is the best way forward for the country in place of the frequent over-dependency on foreign technical assistance.

There are still a number of weaknesses within the education system, especially at secondary level and in adult education. Only some vocational curricula have been reformed and implemented in pilot schools leaving the country with a fragmented curriculum structure and unevenly developed schools. The upper secondary 'gymnasium' has not been reformed at all, which is problematic in a knowledge economy. Adult education provision is still very weak and needs reform of its content, methods and infrastructure. Teacher and school leader competences need to be developed. Teaching and learning methodologies require reform and the education system would benefit from a competence development initiative for teacher educators.

Labour market statistics indicate that most inactive and unemployed people, as well as discouraged jobseekers, are graduates from secondary education. This reveals that the link between the labour market and secondary education, including vocational education and training (VET), has been weakened during the transition years. It is widely believed that higher education is too theoretical, as is secondary education, and it does not provide the skills that the labour market needs. There is a relatively high level of 'education logic' as the basis for stipulations of human resources development in Serbia and this makes the education system more supply- than demand-driven. Within human capital development guidelines, education policy is put on a level with economic policy, as investment in skills through education is seen as the key to competitiveness in a globalised market. Better involvement of, and mediation by, social partners – in particular employers – in defining VET policy

and, to some extent, higher education policy is therefore crucial, as their inputs to the policy process enable better linkages to be developed between the labour market and education.

It is necessary to regularly evaluate and monitor the outcomes of the education system from an employability point-of-view. A follow-up mechanism with tracer studies on the graduates of VET and higher education is recommended as a means of checking whether they have been placed in the labour market and in relevant jobs, as this would lead to an ongoing review of the education system. Such evaluation and monitoring should actively involve social partners and other stakeholders in order to increase the accountability of the VET and higher education systems.

Job creation is still very weak even though the transition years are almost over. Most jobs in the second half of the 2000s were generated by small and medium-sized enterprises (SMEs) which also account for a significant proportion of employment. However, most SMEs have been established as the last resort for many people. There is a sustainability problem for SMEs, with several conditions, such as access to finance and micro-credit, counselling, and entrepreneurial training, in need of improvement. In addition, it is important to support self-employed people and SMEs by increasing their access to information on the potential of the market, including foreign markets.

Although the Ministry of Economy and Regional Development is the authority responsible for employment policy, it is not the only actor in the implementation of employment policies, as job creation is an outcome of developments in education and the economy as well as in the labour market. A sustained dialogue between public institutions and social partner organisations is therefore necessary to ensure better coordination of employment policy.

Most employment strategies in Serbia have been prepared by national actors, although there is some EU and other donor assistance. However, recent employment strategies reveal that overambitious goals often hamper the practical implementation of measures laid out in strategic plans for the labour market. It is not only important to do the right things, but also to do things right. Rather than introduce yet more pilot projects and innovative programmes, the programmes already in place should be improved and their continuity maintained.

The capacity of the Serbian National Employment Service is still limited in coping with all aspects of active labour market measures (ALMMs). There is an immediate need for organisational development and staff training to enable continuous improvement of services to both the unemployed and employers. Other priorities are good information and communication technology (ICT), regular

evaluation of programmes and a better division of responsibilities between the national and local levels. The recent increase of the budget allocated for ALMMs is a good sign as it may lead to increased staff numbers and enhanced capacity. Much of training/retraining provided by the National Employment Service can be outsourced.

The Serbian government is committed to increased participation by vulnerable, excluded and poor groups of the population in economic and social life. Broader education and employment opportunities need to remain at the core of these efforts. Numerous education initiatives aimed at ensuring better education access, participation and attainment of vulnerable children are essential, yet they have to be better coordinated to ensure accumulated and synergetic effects. Affirmative interventions promoting pathways to formal employment for vulnerable groups also have to be considered in partnership with the private sector. Successful labour market inclusion requires an integrated approach,

supported by specialist social services, personalised employment and training programmes and, last but not least, basic income security. The successful implementation of measures should go hand-in-hand with anti-discrimination measures addressed at majority communities, employers, educators and parents.

The deepening disparities between the regions in Serbia are problematic. There is a need to develop well-targeted, multi-dimensional and locally designed approaches to tackle interconnected problems in disadvantaged regions, such as out-migration resulting in depopulation and population ageing, a diminishing economic base with limited employment opportunities, low income levels and dependence on social welfare and poor infrastructures and quality of education. Part of these efforts could be solved by rebuilding the social infrastructure and mobilising and empowering local people to change their lives themselves through community development.

1. POLITICAL AND SOCIOECONOMIC BACKGROUND

1.1 EUROPEAN, REGIONAL AND NATIONAL POLITICAL CONTEXTS

Serbia's accession to the EU is a national strategic goal. In April 2008 Serbia signed a Stabilisation and Association Agreement which provides a framework of mutual commitments on a wide range of political, trade and economic issues. An Interim Agreement on Trade and Trade-related Measures with the EU was signed at the same time and entered into force in 2009. Since December 2009 the citizens of Serbia no longer need a visa to enter EU Member States (except for the United Kingdom and Ireland) and three non-EU countries that are part of the Schengen area.

Serbia submitted its application for EU membership in December 2009 and is preparing to become a candidate country. The Serbian government has demonstrated its commitment to bringing the country closer to the EU by undertaking a number of initiatives, including the implementation of the above-mentioned Interim Agreement.

According to the Serbia 2009 Progress Report, capacity within line ministries regarding EU integration issues needs to be further improved and public administration reform needs to be accelerated (European Commission, 2009). Insufficient attention has been paid to effectively implementing existing laws and impact assessment. Government planning needs to be strengthened and greater cooperation needs to be ensured between ministries. Serbia's active participation in regional initiatives and bilateral relations with neighbouring countries has improved.

1.2 DEMOGRAPHIC DEVELOPMENTS AND TRENDS, INCLUDING MIGRATION

According to the labour force survey (LFS), Serbia officially had 7 482 000 inhabitants in April 2010 (SORS, 2010a), having lost 3% of its population since 1998 and population growth rate was negative, at -0.61% (**TABLE 1.1**). The decline in population reflects both low fertility rates and continued emigration due to the hardships resulting from economic transition and a general lack of work opportunities. The fertility rate, at 1.4 children per woman

in 2008, remains low and very similar to the EU-27 average of 1.5 (in 2007). The population, as mapped by the 2002 census (SORS, 2004), is predominantly made up of Serbs (83%), with significant minorities consisting of Hungarians (300 000 or 4.1% of the total population), Roma (1.4% of the population, although according to non-governmental organisation (NGO) estimates, Roma account for 6.2% of the population) and Albanians (0.8% of the total population)¹.

Life expectancy at birth, at 71.1 years for men and 76.4 for women in 2009, is lower in Serbia than in the EU-27 (75.2 years and 81.5 years, respectively). This is an improvement in comparison with 1998, when life expectancy was approximately one year lower for both sexes. The age structure of the population in Serbia is very similar to the EU-27 average and, like the EU, Serbia is experiencing demographic ageing (**TABLE 1.2**). According to 2009 estimates by the Statistical Office of the Republic of Serbia (SORS), 17.1% of the population was aged over 65 years – almost equal to the EU-27 average.

The number of refugees and internally displaced people remains high. According to the United Nations High Commissioner for Refugees (UNHCR), in January 2010 there were 86 351 refugees and 224 881 internally displaced people in Serbia, all facing obstacles in exercising their social rights.

Serbia, ranking 36th out of 181 countries, has a fairly high emigration rate of 13.6% (UNDP, 2009). The major destination for migrants from Serbia is Europe, which receives 72.3% of emigrants. It is estimated that net migration from Serbia was 338 540 in 2005 (**TABLE 1.3**). Another important challenge is the brain drain and emigrants in recent years are mostly young and highly educated people (Vukovic, 2005).

1.3 ECONOMIC DEVELOPMENTS AND TRENDS – EFFECTS OF THE ECONOMIC CRISIS

Economic reforms launched in 2000 in Serbia have led to a change from socialist planning to a liberal market economy, accompanied by processes such as the establishment of an economic institutional framework, privatisation and liberalisation of trade. The privatisation process in Serbia is almost complete except for some non-profitable public enterprises. The share of the private sector, estimated at 60% of the total economy, is growing.

¹ The data are based on the 2002 census and do not cover the territories of Kosovo and Metohija.

Between 2000 and 2008, gross domestic product (GDP) growth in Serbia was 5.4%. Privatisation has led to an economic structure dominated by small firms with relatively few medium and larger companies. In 2007, 98.8% of companies were small and micro firms, 1.0% were medium-sized enterprises and only 0.2% were large firms (OECD et al., 2009).

TABLE 1.4 summarises GDP developments from 2000 to 2008, with the services sector gaining ground over industry and agriculture. **TABLE A.1** in Annex compares these macroeconomic indicators for the IPA countries and the EU. Competitiveness, corruption and freedom indices are shown in **TABLE 1.5** and **FIGURE 1.1**, while **TABLE 1.6** provides the composite human development index, in which Serbia is placed 67th out of 182 countries.

The Serbian economy has been severely hit by the current global economic crisis. Growth slowed down at the end of 2008 and the economy entered into recession in 2009. According to the Statistical Office of the Republic of Serbia, GDP in 2009 decreased by an estimated 3.0% compared to 2008. As a result, macroeconomic stability

has deteriorated, domestic demand has fallen sharply and foreign direct investment and export revenues have declined. The International Monetary Fund and the EU have provided financial assistance to Serbia. The response of the Serbian authorities to the global crisis has helped to limit its negative effects. As the economy recovers, efforts should be made to stimulate balanced medium-term growth. There is a need for stronger infrastructural and fiscal policies to increase production, exports and savings.

Serbia needs to strengthen the productive private sector but there are still insufficient incentives to develop labour-intensive production. Talent is attracted to the public sector where salaries have trebled in comparison to a 140% increase for private sector employees. Picking winners is not a viable economic policy in Serbia, rather, its growth strategy will have to be balanced across all sectors. The Strategic Economic Development Plan 2006-15 provides weak guidance, given that it fails to take account of major bottlenecks. The intention is to revise it due to the economic and financial crisis.

TABLES AND FIGURES

TABLE 1.1 POPULATION, 2000-10

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total population (m)	7.516	7.503	7.500	7.480	7.463	7.440	7.411	7.381	7.350	7.528	7.482
Population aged 0-14 (% of total)	19.9	19.6	19.3	19	18.7	18.5	18.2	18	17.9	15.6	11.47
Population growth (annual %)	-0.32	-0.17	-0.05	-0.26	-0.02	-0.3	-0.39	-0.41	-0.43	2.42	-0.61

Source: SORS LFS 2009 (October) and 2010 (April).

TABLE 1.2 DEPENDENCY RATES, 2000-10

As % of working-age population	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Age dependency ratio	50.5	50.4	50.4	50.2	50.0	49.6	49.1	48.5	47.9	53.5	55.1
Age dependency ratio, older labour force	20.5	21.0	21.4	21.7	22.0	22.0	22.0	21.7	21.5	29.5	31.2
Age dependency ratio, younger labour force	30.0	29.4	29.0	28.5	28.0	27.6	27.2	26.8	26.4	24.0	24.0

Source: World Bank WDI database and ETF calculations based on SORS LFS 2009 (October) and 2010 (April).

TABLE 1.3 MIGRATION, 2000-08

	2000	2001	2002	2003	2004	2005	2006	2007	2008
Net migration	-147,890					-338,540			

Source: World Bank WDI database.

TABLE 1.4 GROSS DOMESTIC PRODUCT, 2000-08

GDP	2000	2001	2002	2003	2004	2005	2006	2007	2008
Per capita GDP*	6,004	6,457	6,851	7,190	8,041	8,841	9,632	10,248	11,456
Growth (annual %)	4.52	4.84	4.23	2.5	8.45	6.19	5.7	7.53	5.6
Agriculture (% value added)	20.6	19.7	15.9	14.4	14.2	16.0	14.8	13.0	
Industry (% value added)	31.4	27.6	26.7	26.2	28.1	29.1	28.5	28.4	
Services, etc. (% value added)	48.1	52.7	57.4	59.3	57.7	54.8	56.7	58.6	
Foreign direct investment, net inflows (%)	0.28	1.4	0.87	6.69	3.94	6.14	14.74	7.75	

* Purchasing power parity at current international USD.

Source: World Bank WDI database.

TABLE 1.5 GOVERNANCE INDICATORS, 2004-09

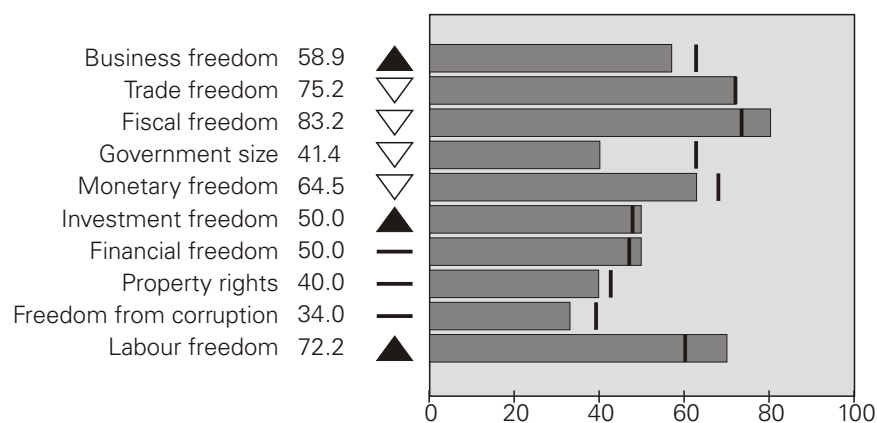
	2004	2005	2006	2007	2008	2009
Corruption Perceptions Index¹						
Rank	97*	97*	90	79	85	83
Score	2.7*	2.8*	3	3.4	3.4	3.5
Global Competitiveness Index²						
Rank				91	85	93
Score				3.8	3.9	3.8
World Freedom Index³						
Political rights			3	3	3	
Civil liberties			2	2	2	
Status			Free	Free	Free	
Press Freedom Index³						
Score				39	39	

Sources: (1) Transparency International; (2) World Economic Forum; (3) Freedom House.

TABLE 1.6 HUMAN DEVELOPMENT INDEX, SELECTED COUNTRIES 2000 AND 2005-07

Rank 2007		2000	2005	2006	2007
Very high					
1	Norway	0.961	0.968	0.970	0.971
38	Malta	0.874	0.897	0.899	0.902
High					
39	Bahrain	0.864	0.888	0.894	0.895
45	Croatia	0.837	0.862	0.867	0.871
65	Montenegro	0.815	0.823	0.828	0.834
67	Serbia	0.797	0.817	0.821	0.826
69	Saint Lucia		0.817	0.821	0.821
70	Albania		0.784	0.811	0.814
71	Russian Federation		0.804	0.811	0.817
72	Macedonia (FYR)	0.800	0.810	0.813	0.817
76	Bosnia and Herzegovina		0.803	0.807	0.812
79	Turkey	0.758	0.796	0.802	0.806
83	Lebanon		0.800	0.800	0.803
Medium					
84	Armenia	0.738	0.777	0.787	0.798
158	Nigeria	0.466	0.499	0.506	0.511
Low					
159	Togo		0.495	0.498	0.499
182	Niger	0.258	0.330	0.335	0.340

Source: UNDP.

FIGURE 1.1 ECONOMIC FREEDOM INDEX, 2010

0 = Lack of freedom; 100 = Highest freedom; I = World average.

Source: The Heritage Foundation and Wall Street Journal 2010 Survey on Economic Freedom.

2. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EDUCATION AND TRAINING IN A LIFELONG LEARNING PERSPECTIVE

2.1 INVESTMENTS IN HUMAN CAPITAL

Expenditure on education and training

Public investment in education is relatively low in Serbia but has grown steadily in the last decade. Before the global crisis, investment in education increased from 2.7% of GDP in 2001 to 3.7% in 2007. Education salaries grew steadily at the rate of 20%-30% a year. An increase of up to 3.9% was planned for 2009 but only 3.3% was achieved because of the crisis. Investment in school infrastructure has also increased but is far from sufficient. The need to gradually increase the percentage of GDP spent on education to 6% is widely accepted and has been stated in many inter-sector strategic documents in Serbia (Mijatovic, 2008). However, it is essential that the macro-level perspective is followed up with micro-efficiency analyses of the allocation of disposable funds (Vukasovic et al., 2009).

According to the Law on the Budget of the Republic of Serbia 2010, based on ETF calculations education's share of the whole budget is 16.85%, amounting to EUR 1.35 billion (**TABLE 2.1**). The education budget breakdown is 48% for preschool and primary education, 21% for secondary education, 22% for higher education, 8% for student welfare and 1% for the work of the Ministry of Education and other bodies such as the education councils and institutes. Formal adult education does not have a separate budget line, so it is not possible to identify how much is allocated to adult education within the budget lines for primary, secondary and higher education.

Around as much as 85% of public education expenditure is consumed by education staff salaries (World Bank, 2009), leaving very little for investment in innovation and physical infrastructures. Many schools, especially in rural areas, are in need of renovation and equipment upgrades and most vocational school workshops are obsolete. The number of pupils per computer was 34 in primary schools and 15 in secondary schools in 2008/09 (**TABLE 2.2**). Many schools work in two or even three shifts, mainly in Beograd, Novi Sad and Novi Pazar (**TABLE 2.3**).

Compulsory education (preparatory preschool and primary) and secondary education are free and funded from the state budget, but parents and pupils have to

cover the cost of textbooks, stationery, school trips, etc. Most higher education students pay relatively high tuition fees. **TABLE 2.4** shows the individual consumption of education and the differences between urban and rural areas. Data on private and corporate sector contributions to adult education and training are scarce; some estimates indicate company investment growth in employee education and professional development.

Financing the education system

Education in Serbia covers preschool, elementary, secondary and university education, with more than 1 800 schools, 1 400 000 pupils or students and around 102 000 employees. After preparatory preschool and eight years of primary education, secondary education consists of a general stream in four-year gymnasias (24% of pupils) and the VET stream (53% of pupils in four-year technical pathways and 23% in three-year vocational ones) (Fetsi, 2007). Serbia has 35 private secondary schools (gymnasias and vocational schools). There are 33 public and 34 private higher education institutions, with a gross enrolment ratio of 43% (Vukasovic et al., 2009).

The education financing system in Serbia is still based on inputs and the use of a formula for each type of school that includes salaries, number of students, differences between school profiles, etc. However, the formulas are not fully binding and their coefficients were set up in the 1990s (Masson, 2008). While salaries are paid from the national budget, about 20% of public expenditure on primary and secondary education comes from local governments, which finance the operating costs of schools and school staff development (Levitas and Herczynski, 2006). Many municipalities, especially in poorer regions, fail to fully cover these expenses.

Among potential efficiency gains, attention is being paid to rebalancing school staff numbers to adapt to demographic developments and to a large number of small schools. The declining numbers of pupils in primary and secondary schools has not been reflected in declining teacher employment or in the number of classes taught (**TABLES 2.5, 2.6 and 2.7**). As a result the efficiency of the system has deteriorated. This is not only due to a large number of very small classes in rural schools but also to class sizes in standard schools having been allowed to fall as well. The teacher-student ratio went from 1:16.5 in primary schools and 1:13.6 in secondary schools in 2000 to 1:13.8 in primary and only 1:10.7 in

secondary schools in 2006 (Mijatovic, 2008); in the OECD countries, the average is 15.2 and 13.0, respectively.

There are other opportunities for increasing efficiency and effectiveness in the Serbian education system and thus release funds urgently needed for implementing changes. Such opportunities lie in many aspects of the reform process, such as decentralisation, the foreseen per-capita financing of education institutions, the involvement of social partners, broadened VET programmes, school-based in-service training for teachers, linking formal and informal education, cost sharing for adult education and training and, finally, rationalising the network of schools and allocation of resources. The need to optimise school networks and resources is increasingly considered to be a key driver of education reform. Later on in this report we will examine how some of these aspects are tackled in national policies and strategic documents and how their implementation could be supported.

2.2 LIFELONG LEARNING STRATEGIES, BROADENING THE EDUCATION AND TRAINING SUPPLY AND RECOGNISING QUALIFICATIONS

Education level of population

Serbia needs well educated citizens to be able to further its economic and social development. The current educational structure of the Serbian population is very unfavourable from this point of view. The latest LFS (SORS, 2010a) confirms the low educational attainment of the population: 3% of the over 15-year old population does not have full elementary education, 35% have only elementary education, 48% secondary education and 14% higher education. For almost half the population aged over 15 years, secondary education represents their highest educational attainment. In comparison, in the EU-27, 71.5% of the population aged 24-65 years had completed upper secondary education in 2008.

TABLES 2.8 and 2.9 summarise educational attainment of the population by age groups and urban versus rural areas.

The uneducated are also the poorest: 71% of the poorest people had not completed primary education or had only completed primary education (SORS et al., 2008). Educational deficiency is most prominent among Roma and remains a major cause of trans-generational poverty transfer. The great majority of people without education were aged over 65 years. In contrast, 19% of people aged 25-34 had completed higher education in 2009. Women are better educated than men: the attainment at the primary, secondary and tertiary levels is 30.6, 53.3 and 16.1 respectively, for women and 47.8, 40.0 and 12.2 respectively, for men (Krstic and Corbanese, 2008).

According to the analysis of education at the local government level, there is insufficiently developed awareness of the relationship between education and prosperity (Standing Conference of Towns and Municipalities, 2008). It is important that investment in education brings the expected effects for society as a whole. The goal should not be the acquisition of formal degrees, as is the case now, but competitiveness of knowledge and skills in the labour market. A recent workforce development review identified 'closed mindsets to lifelong learning among SMEs and the general public' (USAID, 2009).

While this review focuses on education and training for employment and social inclusion, it is not only vocational education that matters. Preschool education and early childhood development are crucial for human resources development through lifelong learning and for acquiring key competences. Just as important is elementary and general secondary education in this respect, which also has the largest impact on the technology, mathematics and science graduates indicator.

Access to education

Overall in Serbia, the education system enables young people to access adequate learning opportunities. However, national authorities, together with education providers, are increasingly engaged in the debate on how to remove barriers to learning and solve persistent issues, especially regarding specific groups of people who are disadvantaged for different reasons in terms of access to education. Chapter 4 of this review deals with social inclusion and looks more closely at some of these groups. The following data illustrate some of the education access issues in the youth and adult populations.

Preschool attendance of any kind was very low (39.2% in 2005) until recently, when a compulsory six-month preparatory programme was introduced in the 2006/07 school year. According to the Ministry of Education, this programme covered 97.7% of children in 2008/09. From the 2009/10 school year, the preparatory preschool programme was extended to nine months and, in effect, now means that compulsory education lasts nine years in Serbia. The official school enrolment rates increased slightly to 98.4% in primary, 77.8% in secondary and about 40% in tertiary education in 2005/06 (European Commission, 2008). In 2008, the gross upper secondary enrolment rate (International Standard Classification of Education (ISCED) 3 level, all programmes) was 84.2% of population aged 15-18 years (TransMONEE database, 2010). **TABLE 2.10** shows enrolments across all ISCED levels in the last three academic years and **TABLE 2.12** shows secondary enrolment and study area and male/female shares.

The UNESCO Institute for Statistics reported an adult literacy rate of 96.4% for Serbia in 2003, with significant gender differences (98.9% for males versus 94.1% for females), although the youth literacy rate was 99.4% with almost no gender difference. **TABLE 2.11** demonstrates higher female and rural illiteracy.

Early school leaving

According to a Living Standards Measurement Study (LSMS) survey (SORS et al., 2008), dropout rates were 1.6% in primary education (2007) and 2.3% in secondary education (2005). However, as compared to the official statistics, which does not record data for pupils by age cohort, other data show much higher dropout rates of 15% for primary education and around 30% for secondary education (Government of Serbia, 2003). According to the Ministry of Education, a generation survey for 2000-08 showed the dropout rate to be 7.3% (Ministry of Education, 2009).

The EU has made tackling the problem of early school leavers one of its priorities, with the aim that early school leavers should represent no more than 10% of 18-24 year olds in the EU-27 by 2010 (**TABLE A.2** in Annex). However, in 2008, 14.9% of 18-24 year olds had not completed upper secondary education in the EU-27, while that proportion for the same year in Serbia was 10.0% (Eurostat, 2010). In contrast with these figures, the LSMS survey concludes that one fifth of children in Serbia are still not included in secondary education, especially boys and young people from socially deprived areas.

Education reform so far

Serbia is striving to develop a modern education system which would contribute more efficiently to economic recovery, support the development of democracy and contribute to the European integration process. The evidence of its efforts are the first achievements of the reform process improving the quality of education and training. A compulsory six-month preparatory preschool programme was introduced in 2006/07 and extended to nine months recently. In primary education, foreign language, information technology and health education subjects were strengthened and new standards to be achieved by the end of compulsory education were published in 2009.

However, further improvement of primary and general secondary education quality will be necessary. Serbia's Programme for International Student Assessment (PISA) results point to a performance in mathematical, scientific and reading literacy by 15 year olds that is significantly below the OECD average and also lower than the performance of students in Croatia and Slovenia, especially in reading literacy. It is estimated that Serbia would need from one to almost three years of additional education to catch up with these countries (Baucal and Pavlovic-Babic, 2009). Developing the key competences that serve for personal fulfilment, social inclusion and active citizenship, further learning, entrepreneurship and employability also remain to be addressed at the system level.

In order to support education reform, the Ministry of Education has undertaken a major legislative initiative in substantially revising the comprehensive Law on Education System Fundamentals governing preschool, primary and secondary education. The key innovations in the new law adopted by Parliament on 31 August 2009

set a framework for an integrated education policy, as described in Section 2.7 below.

Adult learning

Adult learning is a dynamic sector, currently under debate in connection to the planned law to reform provision in this area. Education and training of adults is organised in a range of formal education institutions, agencies, companies, professional associations, by private providers, NGOs and other organisations. Thanks to private providers and NGOs, education for human rights, democracy and civil society, sustainable development, entrepreneurship, healthcare and prevention, computer literacy and foreign languages has expanded (Medic et al., 2008). A consensus is emerging on the need to remove barriers and to open the whole education system to adults and especially to those difficult to reach. A Law on Adult Education is currently being drafted by a working group involving the Ministry of Education, the Ministry of Economy and Regional Development and other stakeholders.

There are no accurate data available regarding participation in adult learning, because systematic collection, research, and monitoring mechanisms are lacking. It is estimated that 3%-4% of people aged 25-64 participate in education and training in Serbia, which is less than half compared to EU-27 (Eurostat, 2010). According to the LSMS survey for 2007, 12% of young people aged 15-24 attend some form of vocational training, mostly language, computer or driving courses. Recent statistics from the World Bank on firms offering formal training to employees show that the rate is 36.5% in Serbia, which is less than in Slovenia (47.5%) but more than in Croatia (28.0%) and Bulgaria (30.7%) (World Bank and IFC, 2009).

Ongoing training in technical fields for the unemployed and meeting the need to increase competitiveness and/or prepare the restructuring of companies is developing slowly. The Serbian National Employment Service organised training for about 12 000 unemployed people in 2007, representing less than 3% of the total 450 000. The Ministry of Education has started to set up pilot regional training centres based on existing vocational schools with the support of the Community Assistance for Reconstruction, Development and Stabilisation (CARDS) programme. However, only five regional centres are in place (three further centres are planned), with a total capacity of less than 1 000 participants a year (Medic et al., 2008). However, evaluation shows that this experience is promising, particularly in terms of close cooperation between schools and companies for the design and implementation of targeted courses, although the problem of course certification remains (Markovic, 2009).

Adult basic education is delivered free in primary schools in the formal education system. Currently, there are 14 schools for elementary education for adults with only about 2 500 students per year, despite the fact that, according to the latest census, Serbia has 1.3 million people without complete primary education. Basic adult

education is organised by grades from first to eighth grade and lasts three to five years, depending on the school programme. After completing eighth grade, adult learners can continue formal education and obtain a further qualification. However, the existing system of adult basic education is inadequate to the needs of the adult population and is not adapted to labour market needs (Popovic et al., 2010).

As noted in a Conference on Adult Education (CONFINTEA) study, one of the key problems for the development of adult education and training is the weak link between formal and non-formal education (Medic et al., 2008). The lack of public financing and of cost-sharing mechanisms for the state and companies and the absence of incentives for companies and individuals hamper the development of adult education and training. The prevailing concept insists on the needs of individuals and makes ample reference to illiteracy issues, but neglects training activities initiated by companies and, in particular, the development of on-the-job training/learning. Adult education is supply-driven, since little room is given to analysis and reflection on the needs of the economy and formal provision is favoured, through programmes designed or accredited centrally.

Qualifications

Although the notion of learning outcomes and competences is widely accepted by policymakers, experts and providers, in reality a traditional approach still prevails. Skill levels I to V are aligned to secondary vocational school programmes of different duration (SORS, 2009c), while levels VI to VIII are acquired in higher education. There is no validation system for prior learning as the preconditions are missing: social partnership does not function very well, there are not enough partners (or their quality is not assured) and the formal education system is very closed.

An overarching NQF, with the European Qualifications Framework (EQF) as its main reference, has been discussed in Serbia for several years (Lazic et al., 2007). The tasks of developing an NQF up to skill level V are now formally assigned to the Serbian VET Centre. The framework will need to be integrated in the framework for higher education qualifications being developed since 2008 within the Bologna Process and approved by the Serbian National Council for Higher Education in April 2010.

The main problem for the Serbian NQF has been the lack of institutional ownership and the separation between VET and higher education developments. Involvement of sectors and employers has been weak so far, but the establishment of the Council for VET and Adult Education chaired by the Serbian Chamber of Commerce may change that. A recently launched IPA VET modernisation project (see Chapter 5) covers the NQF as one of its four components.

2.3 SECONDARY AND POST-SECONDARY VOCATIONAL EDUCATION AND TRAINING

VET reforms to date

It is generally acknowledged by Serbian stakeholders that education and training does not sufficiently support employment and the labour market. The transition from a system where employees were accustomed to having secure, life-time employment with the same company to a competitive and challenging labour market is still in progress. As a result, there is a paradox in Serbia. While the demand for skilled employees in some sectors is increasing faster than supply, the supply of VET graduates covers profiles no longer in demand. Furthermore, the demands within occupations are changing.

An employer survey by the Economic and Social Policy Institute in the districts of Beograd, South Bačka and Niš identified a shortage of middle-managers, workers for insurance, security and business administration, welders, bricklayers, carpenters, waiters, bakers and butchers (ESPI, 2009). Besides specialist knowledge and skills, the survey found that employers increasingly ask for communication, team work, foreign languages and problem-solving and leadership competences. Another survey carried out in the districts of Beograd and Banat found that the sectors showing the highest growth were services such as real estate, finance, consulting, ICT, construction, trade and catering, transport, storage and communication. The newly required skills were communication, teamwork, stress management and social skills (**FIGURE 2.2**). According to the Serbian Chamber of Commerce, the key competences required are numerical and language literacy, learning to learn, communication skills and team work.

In 2007/08 there were 214 925 pupils (76% of the total secondary school enrolment) in 339 vocational schools (SORS, 2009c) with approximately 15 000 teachers and trainers. Secondary vocational education, provided through around 250 profiles in the three- or four-year curricula, is undergoing the reform process driven by the EU CARDS and IPA programmes since 2002. In total, 58 new profiles were created and implemented in 164 schools. The new curricula were developed in cooperation with employers and reflect their needs for new or improved knowledge and skills (ETF, 2008a). According to Markovic (2009), tracer studies in mechanical engineering and agriculture showed that 70%-80% of graduates from the VET pilot programmes found jobs within three months, the rate of completion increased to 88% and both graduate and the employer perceptions of pilot programme outcomes were positive.

However, the outcomes of the CARDS VET projects have not been properly evaluated as yet. Moreover, according to Ministry of Education data, only 15% of vocational students are currently in the new profiles. This is still a pilot process

and the major part of the VET system remains unchanged, with obsolete profiles, low in-company experience and inadequate practical skills training.

Access and quality

The development of quality in primary and secondary schools is a joint task for school boards, principals and pedagogues, who are also supported by professional school bodies, consisting of the teacher council, class councils, professional councils and their sections for curriculum development and developmental planning (CEP, 2008). Quality assurance at the level of schools and other education and training providers is overseen and supported at national and regional levels. The Ministry of Education, supported by its 19 regional school directorates, and its primary, secondary and school supervision sectors play a leading role. There are also two tripartite councils and two education institutes involved (see Section 2.8 below).

Some access barriers to VET can be observed in the structure of the education system, the existing learning pathways and the enrolment policy for transition between education sectors. Differentiation between high- and low-achieving primary schools without effective support for improvement of the latter does not guarantee pupils equitable access to secondary education. In addition, the current qualification examination at the end of primary education appears to lead to rather arbitrary decisions regarding secondary school enrolment and is thus a barrier to more equitable access to secondary education. Issues of access by pupils from disadvantaged groups and territories are discussed in Chapter 4.

Enrolment statistics of the Ministry of Education² reveal, among other things, the big gap between the attractiveness of four-year profiles – which enable access to higher education – and three-year profiles. Similar to previous years, the fulfilment of enrolment quotas showed the highest interest in the health and economics areas and the lowest interest in mechanical engineering, construction, wood processing and agriculture. Pilot profiles are clearly more attractive than non-pilots. Among the 140 four-year profiles VET is more attractive than the gymnasium. There is also a gender imbalance, as only a third of students are females in three-year schools, whereas in gymnasias three fifths are female.

The vocational school in Zrenjanin can serve as an example of good practice in terms of reshaping to becoming a quality VET and adult education provider (Oldroyd and Nielsen, 2010). It is an example of how a traditional vocational school can transform itself by responding to new adult training needs for local employment and self-employment through partnerships with companies and employment services. Combining good school leadership with CARDS programme external assistance, the school has become a valued partner able to contribute to the changing needs of the local community. New demand has been met by short (up to 500 hours) non-formal training programmes developed together with companies or employment services.

According to the employers involved, it is not important if training is formal or informal, rather, the key is less theory and more practical skills development. The partners in Zrenjanin confirmed that the results could be further improved on a larger scale if the municipality took an active part and led the initiative.

School-business cooperation and entrepreneurship

There are other good examples of school-enterprise cooperation, e.g. under the EU CARDS VET projects (www.vetserbia.edu.rs), training by regional training centres and the National Employment Service in Bor and a project by the Serbian Chamber of Crafts in which redundant workers have been successfully retrained by craftsmen in Niš. However, much remains to be done in order to bring education-business cooperation up to a satisfactory level. To move forward and disseminate good experience, in 2009 the education authorities assisted by the ETF developed an entrepreneurial learning strategy that included reflection on how entrepreneurship as a key competence could play a major role in all levels of education. The positive evaluation of entrepreneurship as a subject in pilot VET profiles (Maksimovic, 2007) was taken into account.

Another important step was the establishment of the Council for VET and Adult Education in March 2010, chaired by the vice-president of the Serbian Chamber of Commerce and involving representatives of business and trade unions. According to the Law on Education System Fundamentals, one of its tasks is to monitor, support and guide activities which represent a link between education and employment and to monitor their impact on economic development.

2.4 HIGHER EDUCATION

Reforms to date

A total of 237 598 (55% female) students were enrolled in Serbian higher education in the 2007/08 academic year (SORS, 2009). Of that number, 110 606 students (47% of the total) were financed from the state budget. Tuition fees are relatively high, at more than double the average monthly salary (Vukasovic et al., 2009). **FIGURE 2.3** shows the shares of students by fields of study. Higher education activities are carried out by universities and academies (colleges) of vocational studies. There are six public universities (University of Beograd, University of Novi Sad, University of Kragujevac, University of Niš, University of Arts and University of Novi Pazar), six private universities and a number of public and private academies and colleges. Around 11% of students are enrolled in private higher education institutions. The University of Beograd, with 31 faculties, is the largest in Serbia, serving 32% of higher education students. The Serbian National Council for Higher Education is the highest body responsible for developing quality higher education in Serbia, which it does together with the Commission for Accreditation and Quality Assurance.

The Law on Higher Education of 2005 introduced the Bologna Process three-cycle system and started the process of accreditation and external evaluation of universities. The first phase of the process, now complete, paid attention mainly to physical infrastructures. The second phase will focus more on curriculum quality, including labour market needs. This law is now being revised to include a short cycle and to newly define diploma recognition for jobs as separate from recognition for academic purposes.

In 2007, vocational post-secondary schools (*više škole*) went through a process of accreditation; 48 were accredited and became academies or colleges of vocational studies and part of the higher education system of *visoke škole*. These schools are now closer to universities in terms of duration of studies aligned at bachelor level, proportion of PhD graduates among teachers and other accreditation criteria. However, this move has placed them further from vocational schools, increasing the gap between VET and higher education.

Access and quality

Graduates from three-year vocational profiles do not have access to higher education, e.g. through a one-year additional general education programme leading to a *matura* examination. The planned new national examinations at the end of four-year secondary education (general *matura* and VET *matura*) aim to enable progression to the corresponding higher education institutions without having to pass entrance examinations. Although the two *matura* examinations are to be introduced in the 2013/14 school year, the development of new secondary education standards has not yet started. Graduates from former *više škole* have problems of recognition for university access, grounded in the fact that these schools do not meet the requirement of 50% of teaching staff having PhDs.

Links between higher education and the economy are weak. Higher education graduates are not prepared in the new technologies and do not have the competences required by enterprises (Government of Serbia, 2008). The education process is underpinned by lectures that take up almost all of the required 30 contact hours per week (teacher salaries are proportionate to the number of lectures). Deans do not have the power to shape learning, e.g. to decide on textbooks, so quality is in the hands of individual lecturers. Despite a high demand for graduates, the university intake in mathematics, science and technology has been stagnant (at around 25%) and the corresponding graduation rates are very low (a third in mathematics and half in science and technology)³. The intake in mathematics, science and technology is directly related to gymnasium (general secondary) education, so reform of general education needs to be a priority.

Examples of innovative practice exist. The career development centre established at the University of Beograd in 2006 provides information and guidance to students, works with employers and delivers courses in

soft skills. Due to financial restrictions, it has still a very limited capacity (four staff members for almost 80 000 students), partly resolved by building a network of voluntary associates from the different faculties. It mediates internships in companies, e.g. the current trainee programme in Belgrade public utilities, and organises one-day enterprise visits by student groups to companies. Internships are very much in short supply: a recent recruitment drive had 700 applications for eight internship places. The University of Beograd career development centre has also initiated and helped establish a network of similar centres in the Universities of Niš, Novi Sad and Kragujevac.

Serbia makes good use of the Tempus Programme to support the modernisation of higher education systems. In the current phase of the programme, there is pronounced involvement of education authorities and national bodies focusing on resolving issues of strategic importance in the field of higher education. Two examples are the Education Policy Study Programme project launched in 2009 and the Master Programme for Subject Teachers (for application in 2010). Other Tempus projects with a strong expected impact at national level focus on quality assurance, lifelong learning and higher education governance. Just as important are the Tempus projects linking higher education to the economy and labour market, e.g. projects on the knowledge triangle, conversion courses for unemployed graduates and accreditation of engineering studies.

2.5 LEARNING IN SCHOOLS AND TEACHERS

Teaching and learning

Teaching has not yet been reformed to respond to the challenges of a changing society. It still follows the traditional model of frontal teaching, with the teacher as a transmitter of knowledge who functions using the limited modality of lecturing-examining-evaluating tasks. The teaching and learning process is still very much focused on the acquisition of factual knowledge, while discouraging student inquiry and initiative. Teaching targets good performers but much less attention is paid to those with learning problems and at risk of early school leaving. Extracurricular activities, learner-centred approaches, new methods of teaching and learning are still isolated islands of good practice. Furthermore, VET subject teachers lack pre-service psychological and pedagogical training and school-based VET teaching and learning is mostly theoretical, with weak links to enterprises and employers.

A high-quality teacher workforce is crucial for the performance of education and training systems as a basis for future global competitiveness. Of the same magnitude are the professional capacities of school principals in VET and adult education. PISA and Trends in International Mathematics and Science Study (TIMSS) results point to

the lack of standards regarding the quality of the teaching process and of teachers themselves. While much teacher and school principal training has taken place since 2003 through pilot projects under the CARDS programme, these efforts need to be taken forward to the systemic level.

In 2009 the Law on Education System Fundamentals set a new legal framework for teaching and learning processes, aiming in particular at inclusive education, better learning outcomes and the professionalisation of teachers. As a quality assurance mechanism, all schools are obliged to start self-evaluation and development planning, while external assessment of teaching and learning quality is being revised according to this law. One of the current national initiatives helping to make this happen is the School Quality Monitoring in Serbia project implemented by the Institute for Education Quality and Evaluation assisted by the Dutch Inspectorate of Education. The project is developing and testing a national framework for school quality and evaluation, with standards and indicators of achievement in seven quality domains: curriculum, ethos, school management, pupil attainment, resources, support for pupils and teaching and learning.

Teacher education and professional development

The Law on Education System Fundamentals puts forward clear guidelines for a strategy of teacher professionalisation based on continuous professional teacher development and sets, among other things, an obligatory minimum of 30 pedagogical credits and six teaching practice credits; this is a good choice in a situation where most teachers need upgrading in subject and pedagogical skills. Another important reform strategy for modernising the overall system of professional teacher development is the proposal to create a system that will connect initial with ongoing education. The ongoing revision of the Ministry of Education's Guidebook on Professional Development and Guidebook on Licensing are steps in this direction.

The three days' leave per year allowed to educators under the legislation to attend approved programmes is increasingly being granted in the three new regional centres for professional development established with support from the Swiss Agency for Development and Cooperation (SDC) and the Norwegian government (Čačak, Užice and Niš) and practice schools. Local communities are very often the main source of financing for these programmes. The Ministry of Education sets professional development priorities for a three-year period (currently these are inclusion, teaching methodology and school development) and the Institute for the Improvement of Education issues an annual catalogue of approved professional development programmes.

However, in Serbia as in many EU countries, the critical factors are to reform initial teacher education in universities, critically assess the pedagogical competences of teacher trainers in higher education and upgrade these competences. The first step could be to stimulate the competence development of vocational

teacher trainers to innovate methodologies. Optimally, this could happen as part of higher education reform along the lines of the Bologna Process, enabling universities, on the one hand, to effectively connect initial and continuing teacher training and, on the other hand, to become key drivers for improvement of the general pedagogical competences and skills of teachers.

The Teachers Union of Serbia, which represents teachers and other employees from all sectors of education, participates in the reform processes and supports the in-service training of teachers. Established in 1991, it has a membership of around 40 000 and is a member of Education International, the global union federation of teachers and other workers in education.

2.6 VOCATIONAL COUNSELLING AND GUIDANCE

The current provision of vocational counselling and guidance in Serbia is mainly in the employment services, by means of information and placement services offered to job seekers, primarily the registered unemployed. There are 30 National Employment Service branch offices offering these services and also two specialist career guidance centres in Belgrade and in Niš, all achieving good results, developing experience and gradually extending the provision. However, capacities are limited, given the growing needs among the different target groups, the necessity to professionalise the service and the requirements to reach out and develop partnerships and networks.

In the education sector, there is only the traditional professional guidance provided through the existing pedagogic-psychological services in primary and secondary schools. The Belgrade Open School elaborated a model of career guidance for vocational schools and, based on that, a career guidance centre has been established at the Mechanical Engineering School in Beograd. As mentioned earlier, some Serbian universities, public and private, have career development centres. A career guidance centre for talented youth has been set up by the Belgrade Open School and the Ministry of Youth and Sport. The Belgrade Open School has started training teachers from secondary schools in career guidance and counselling and has also contributed to preparing the national strategy described below.

New national strategy

According to the recently adopted Career Guidance and Counselling Strategy 2010-14 (Government of Serbia, 2010), the transition from school to work is still not understood properly in the context of flexible and changing careers. Vocational counselling and guidance must be seen as an innovation at system, institutional, curriculum and individual levels. It contributes to social inclusion and economic development by helping to match the interests and abilities of individuals with job opportunities in the labour market. The strategy seeks to

establish and develop the career guidance and counselling system – foreseeing an investment of RSD 91.15 million (approximately EUR 900 000) over a five-year period – through a partnership between the Ministry of Youth and Sport, the Ministry of Education, the Ministry of Economy and Regional Development, the National Employment Service, universities, schools, social partners and NGOs.

2.7 POLICY FRAMEWORK FOR EDUCATION AND TRAINING

Education reform agenda

By stipulating new principles and strategic approaches, the 2009 Law on Education System Fundamentals sets a framework for an education policy across the preschool to secondary education sectors and is seen as a point of departure for further, more specific, regulatory steps leading to reform implementation.

The key innovations of the new law include:

- new principles of equity, improved access, individualised approach to learners and lifelong learning and of better planning, quality and efficiency of education;
- educational goals of investing in human capital, developing key skills, matching competences to the requirements of jobs, the economy, science and technology;
- standardisation of learning achievements, teaching and school leadership competences and quality;
- establishing the Council for VET and Adult Education;
- increased autonomy of schools and more flexible learning programmes;
- introducing per capita financing;
- quality assurance based on self-evaluation, external evaluation, development planning and extended scope of schools' professional bodies;
- redefining initial and in-service teacher training: all future teachers will be obliged to obtain at least 36 ECTS credits in psychological, pedagogical and methodological training.

The Law on Education System Fundamentals defines different target years for implementing changes. New secondary education profiles and curricula will be in place as of the 2011/12 academic year and the Ministry of Education plans to mainstream nine pilot VET profiles in 2010/11 and all the remaining profiles in 2011/12. The legislation foresees the implementation of reformed pre-service teacher training as of 2013/14. A new financing system based on a per capita formula will be introduced gradually, starting in 2011/12 and will be applied to all institutions from 2014/15.

The Ministry of Education has a comprehensive plan on completing the legal basis with new laws, such as the Law on Adult Education, Law on Preschool Education (already adopted), Law on Elementary Education, Law on Secondary Education and an amended Law on Higher Education. A large number of legal documents (bylaws)

specifying the different provisions of the Law on Education System Fundamentals are planned to be developed by the Institute for the Improvement of Education and the Institute for Education Quality and Evaluation, approved by the respective councils and issued by the Ministry of Education. These documents include a range of newly defined standards (attainment in general education and in VET, school quality in general education, VET and adult education, teacher and principal competences, implementation of special preschool programmes, textbooks and other learning materials, qualifications and VET profiles and programmes), programmes for final examinations at different levels, including models for the recognition of prior learning, a qualifications framework for vocational education and new secondary education profiles and curricula. The timeframe foreseen for all these developments is no later than September 2011.

Towards an integrated education strategy

The National Education Council prepared the initial concept of overall education reform as proposed in the Directions for the Development of the Serbian Education System, prepared by a National Education Council working group and currently submitted for discussion to the education committee of the Serbian Parliament. The document is based on a lifelong learning perspective and aims at an integral approach to education reform, while emphasising key competences and the role of teachers. It is planned to be built on broad partnership and consensus across the political parties. The National Education Council is also preparing national indicators for monitoring the education system in Serbia (in line with EU indicators and with the Directions for the Development of the Serbian Education System).

The Ministry of Education has confirmed the importance of initiating an overall education/lifelong learning development strategy, as it foresees the need for substantial mid- and long-term modernisation across all education sectors. After the Directions for the Development of the Serbian Education System, prepared by the National Education Council are adopted, the Ministry of Education will lead the development of the overall education strategy so that it can be adopted by Parliament in 2011.

2.8 CAPACITIES OF MINISTRIES AND THEIR AGENCIES, SOCIAL PARTNERS AND CIVIL SOCIETY ORGANISATIONS

Governance and support capacities at national level

Despite a long-lasting recruitment freeze and even downsizing across the national public service due to the crisis, the Ministry of Education has been taking positive steps to strengthen its reform capacities. A new Department for European Integration and Education

Development Programmes and Projects was established in 2009 and horizontal cooperation with other key ministries has made further progress, although there is still room for improvement. The Ministry of Education's website, which developed significantly in 2009, now includes a resource centre. The Ministry of Education has organised a number of donor coordination meetings and a forum of researchers and policymakers which first met in May 2010. However, the capacity for designing, managing and monitoring VET policy and governance at the ministerial level is much too weak. Staffing for secondary education adds up to only eight civil servants; five work on VET – but two of these are allocated 80% to work in the IPA project implementation unit.

The three educational councils (National Council for Higher Education, National Education Council, and Council for VET and Adult Education) are becoming important multi-stakeholder governing and advisory bodies. The newly established Council for VET and Adult Education is responsible for a huge agenda – among other things, for monitoring and analysing VET and adult education, for proposing educational profiles, qualifications framework, standards and curricula and for securing better links between education, employment and economic development.

Established by the government and funded from the Ministry of Education's budget are two education institutes. The Institute for the Improvement of Education, established in 2004, has 106 employees and consists of the Centre for VET and Adult Education, the Centre for Programme and Textbook Development and the Centre for the Professional Development of Education Employees. The Institute for Education Quality and Evaluation, with 36 employees, has the role of defining general education standards, assessing pupil and student achievements, including the new national exams, and supporting education quality assurance (see also Section 2.5).

The Centre for VET and Adult Education employs 25 specialists in qualifications and curricula. These also provide expert support and development capacity to the Council for VET and Adult Education. Given the magnitude and scope of reform tasks in VET and adult education, the capacity of the Centre appears insufficient. It is also weakened by the complicated institutional layout, the many changes in managerial positions and the splitting up of 'organic' functions concerning VET curriculum development, related to curriculum design (substance and teaching methods), curriculum delivery (support at school level for capacity development of teachers/training and textbooks and teaching aids) and curriculum assessment (testing and examination issues). These functions are covered by different departments in the Institute for the Improvement of Education or by the Institute for Education Quality and Evaluation in the case of assessment; they are therefore too often subsumed in the general education domain.

The Social Inclusion and Poverty Reduction Unit, attached to the Office of the Deputy Prime Minister for European Integration, was established by the government in 2009 to

function as a policy unit in the human capital development area.

Researchers and practitioners

Besides the dedicated officials and experts from the Ministry of Education, the three education councils and the two institutes, there is an extensive pool of researchers active in the area of education and training, working either individually or in think tanks, such as (in alphabetical order) the Adult Education Association, Belgrade Open School, the Centre for Education Policy, the Centre for Liberal-Democratic Studies, the Economic and Social Policy Institute, the Economics Institute, the Foundation for the Advancement of Economics, the Social Inclusion and Poverty Reduction Unit and the Standing Conference of Towns and Municipalities (Local Government Forum).

There is also a significant practitioner community, still largely untapped, with numbers of experienced and enthusiastic teachers, trainers and school principals. Many of these are internal or external change agent teachers and curriculum developers from numerous pilot projects. In several sectors VET associations exist. At the system level, all this capacity could be harnessed through networks created to support changes and disseminate good practice.

Social partners

Overall, the involvement of social partners in initial and continuing VET is still low (Kristensen, 2008). Social partners highlight the lack of consultation by the government during law-making processes and the lack of capacity to implement and enforce legislation fully (EU Delegation, 2009). In interviews, social partners confirmed serious mismatches between VET output and the needs of the economy. They consider VET too theoretical, with key skills not covered, and they criticise the complicated and lengthy procedures for introducing new profiles and programmes. They are not satisfied with the level of social dialogue in the human capital development area. The Social and Economic Council does not always deal satisfactorily with important issues and the local level is stagnant; of the 28 existing regional councils, only around 10 function and the key factor is the low involvement of local authorities.

The Serbian Chamber of Commerce and the Serbian Association of Employers are recognised by the government as partners representing the Serbian economy. The Confederation of Autonomous Trade Unions of Serbia and the Trade Union Confederation Nezavisnost are the two largest employee organisations.

The civil sector in Serbia is growing in importance and increasing its influence at the policy level, as confirmed by the recent establishment of the government Office for Cooperation with Civil Society. It has the remit to create and enable an environment for developing a cooperation framework for civil society organisations as part of building a democratic society through permanent and constructive social dialogue. Since 2003 the Serbian

Federation of NGOs represents the civil sector. According to a Serbian NGO called Civic Initiatives, the main issue in human capital development is to achieve better recognition of informal education and training, an area where the civil sector plays an important role.

In Serbia there is scope and available capacity to create a 'cluster of development expertise' based on the many trained civil servants, experts, vocational school principals and teachers. Learning in horizontal networks could be used when generalising pilot curricula and could help their implementation in all schools by September 2011. Such a transmission and cascading model could be built up

between the Ministry of Education, the Centre for VET and Adult Education, vocational school associations and, based on staff at the school level, trained curriculum development officers (teachers), internal and external change agent teachers and school principals (also trained through CARDS). Such a horizontal learning network should be anchored in the National Centre for VET and Adult Education and would also be invaluable for the preparation of an NQF in Serbia. Due to weak social partners, the school world and not least the vocational school associations will have to carry out most of this work, together with the Chamber of Commerce, which has good relations with companies.

TABLES AND FIGURES

TABLE 2.1 MINISTRY OF EDUCATION BUDGET, 2010

Budget line	Amount (EUR)	% of total budget
Ministry of Education	11,284,310	0.85
Primary education	639,907,350	47.62
Secondary education	288,159,920	21.44
Pupil standard	35,045,910	2.61
Higher education	297,252,370	22.12
Student standard	70,136,810	5.22
Institute for the Improvement of Education	1,403,490	0.10
Institute for Education Quality and Evaluation	583,920	0.04
Total	1,343,774,080	100.00

Percentages and conversion to EUR calculated by the ETF, based on a rounded-up rate of RSD 100 = EUR 1 (April 2010).
Source: Zakon o budžetu Republike Srbije za 2010.godinu (Law on the Budget of the Republic of Serbia 2010).

TABLE 2.2 NUMBER OF COMPUTERS IN PRIMARY AND SECONDARY SCHOOLS, 2008/09

	Total	Administration	In teaching, total	In teaching, with Internet
Primary schools	22,847	4,871	17,976	10,146
Secondary schools	21,802	3,164	18,638	12,515

Source: Serbian Ministry of Education.

TABLE 2.3 NUMBER OF SCHOOLS WORKING IN SHIFTS, 2008/09

	1 shift	2 shifts	3 shifts
Primary schools	2,370	1,131	28
Secondary schools	162	326	7

Source: Serbian Ministry of Education.

TABLE 2.4 INDIVIDUAL CONSUMPTION OF EDUCATION, 2005-09

% of total consumption	Total	Urban	Rural
2009*	1.0		
2008**	1.3		
2007	1.1	1.3	0.7
2006	1.1	1.3	0.7
2005	2.0	2.6	0.9

* Second quarter preliminary results; ** Fourth quarter preliminary results.
Source: SORS Household Budget Surveys.

TABLE 2.5 PRIMARY AND SECONDARY SCHOOLS: NUMBERS, CLASSES AND PUPILS, 1990/91 AND 2006/07

School year	Primary education			Secondary education		
	Schools	Classes	Pupils	Schools	Classes	Pupils
1990/91	3,616	32,039	812,218	442	9,966	294,320
2006/07	3,551	30,077	622,562	472	10,917	290,387

Source: Based on data from SORS.

TABLE 2.6 POPULATION PROJECTION FOR THE 10-14 AGE GROUP

2000	2005	2010	2015	2020	2025	2030
742,000	647,000	679,000	591,000	564,000	554,000	541,000

Source: United Nations Secretariat, World Population Prospects: 2008 Revision.

TABLE 2.7 TEACHING STAFF IN THE SECONDARY EDUCATION SYSTEM, 2001-07

2001	2002	2003	2004	2005	2006	2007
46,368	47,095	47,904	48,268	49,946	50,756	51,914

Source: UNESCO Institute for Statistics.

TABLE 2.8 EDUCATIONAL ATTAINMENT OF POPULATION BY AGE GROUP, 2008-10

	2008					2009 (October)					2010 (April)				
%	Total	Without education	Low	Medium	High	Total	Without education	Low	Medium	High	Total	Without education	Low	Medium	High
15+	100	100	100	100	100	100	100	100	100	100	100	100	100	100	100
15-24	14.2	2.2	17.7	15.9	2.6	13.6	2.5	17.4	14.9	2.0	13.6	4.6	18.4	13.9	2.3
25-34	14.1	2.2	6.1	19.5	18.8	13.2	1.8	5.3	18.6	17.0	12.9	1.5	4.7	18.1	17.9
35-44	14.5	2.3	8.4	18.8	17.4	14.2	1.6	7.6	18.9	17.2	13.9	2.8	7.6	18.3	17.1
45-54	18.1	5.1	14.1	20.7	23.1	17.6	4.1	13.4	20.4	21.3	17.2	4.4	11.9	20.9	20.9
55-64	17.1	7.5	19.5	15.2	21.0	18.7	8.1	20.5	16.8	23.1	18.7	6.8	20.4	17.5	21.4
65+	21.9	80.7	34.2	9.9	17.1	22.8	81.9	35.7	10.4	19.4	23.8	79.9	37.1	11.2	20.5

Source: SORS LFS.

TABLE 2.9 EDUCATIONAL ATTAINMENT OF INACTIVE URBAN/RURAL POPULATION AGED 15+, 2008-09

	2008			2009		
	Total	Urban	Rural	Total	Urban	Rural
Total	100.0	100.0	100.0	100.0	100.0	100.0
Without education	6.8	3.4	12.0	5.6	3.0	9.6
Low (ISCED 0-2)	45.6	37.2	58.5	45.7	36.0	60.4
Medium (ISCED 3-4)	39.1	47.1	26.6	38.8	46.8	26.5
High (ISCED 5-6)	8.6	12.3	2.8	9.9	14.1	3.5

Source: SORS LFS October 2009 (preliminary data).

TABLE 2.10 TOTAL ENROLMENT BY ISCED LEVEL, 2006-09

	ISCED 0	ISCED 1-2	ISCED 3	ISCED 5	ISCED 6
2006/07	150,651	653,649	291,978	238,710	–
2007/08	154,444	641,034	289,766	236,534	1,064
2008/09	157,566	628,517	289,746	233,016	2,924

Source: UNESCO Institute for Statistics.

TABLE 2.11 ILLITERACY RATE: URBAN/RURAL POPULATION AGED 10+ BY GENDER, 2002

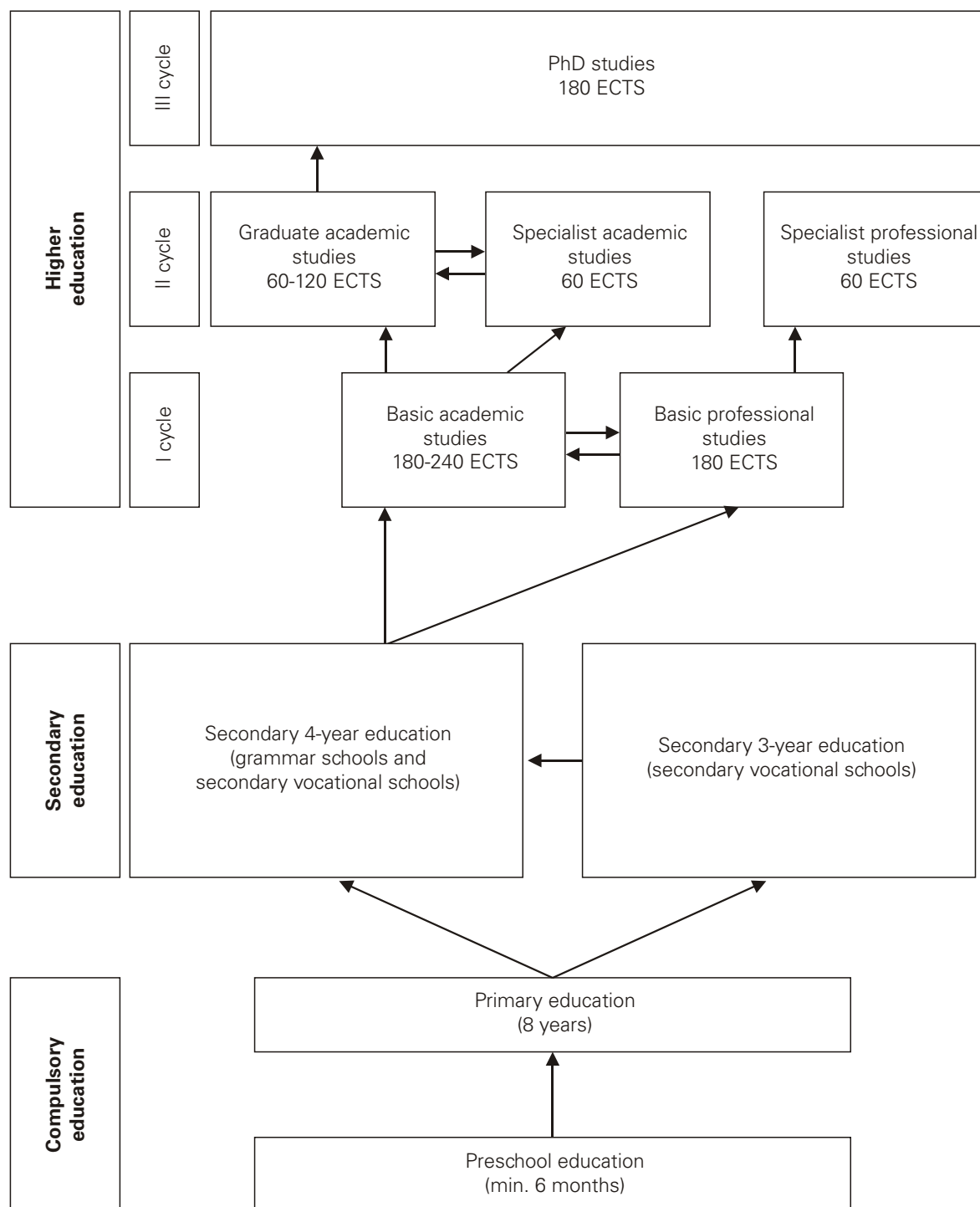
	Total	Male	Female
Total	3.45	1.08	5.66
Urban	1.55	0.50	2.49
Rural	5.90	1.79	9.92

Source: SORS Census of the Population, Households and Dwellings 2002.

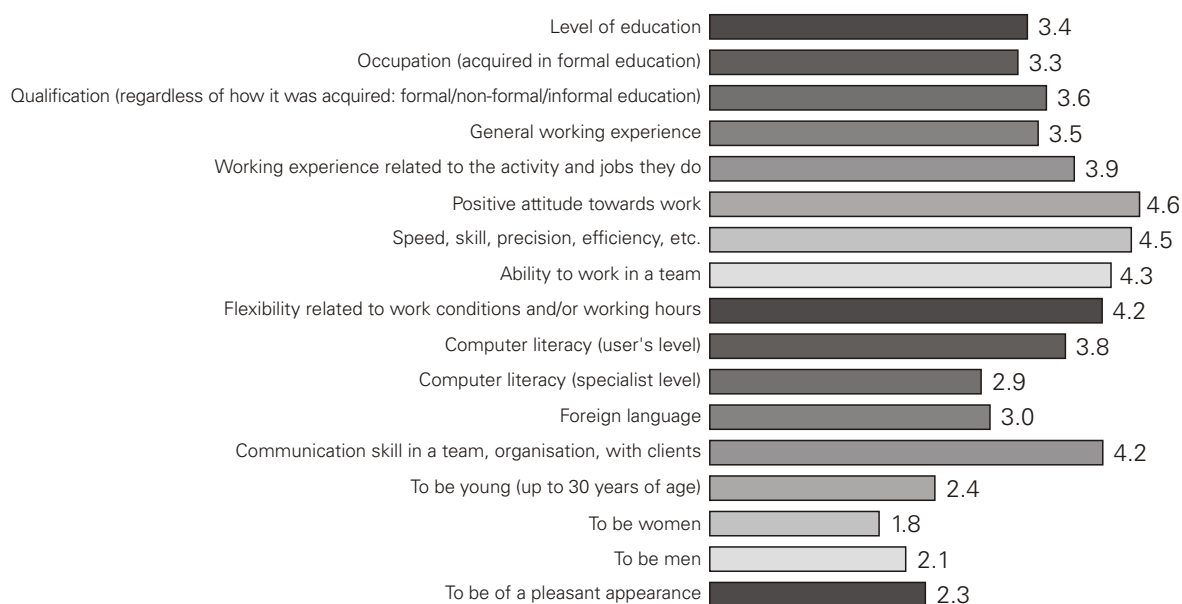
TABLE 2.12 SECONDARY EDUCATION BY AREA OF STUDY, 2009/10

Area of study	Students	Area share in %	Female	Female share in area in %
Total	287,599	100.00	143,377	49.85
Religious education	755	0.26	155	20.53
Grammar schools	68,426	23.78	40,465	59.14
Agriculture and food processing	18,524	6.44	9,529	51.44
Forestry and wood processing	3,909	1.36	1,484	37.96
Geology, mining and metals	1,021	0.36	392	38.39
Mechanical engineering	30,097	10.46	5,523	18.35
Electrical engineering	28,422	9.88	2,132	7.50
Chemistry and printing	10,955	3.81	7,265	66.32
Textile and tanning	4,784	1.66	4,040	84.45
Surveying and construction	8,214	2.86	2,063	25.12
Traffic	13,134	4.57	3,577	27.23
Trade, catering and tourism	26,877	9.35	15,420	57.37
Economics, law and administration	38,077	13.24	25,326	66.64
Hydrometeorology	229	0.08	152	66.38
Culture, arts and media	5,938	2.06	3,716	62.58
Health and social care	23,597	8.20	18,299	77.55
Other (personal services)	4,640	1.61	3,839	82.74

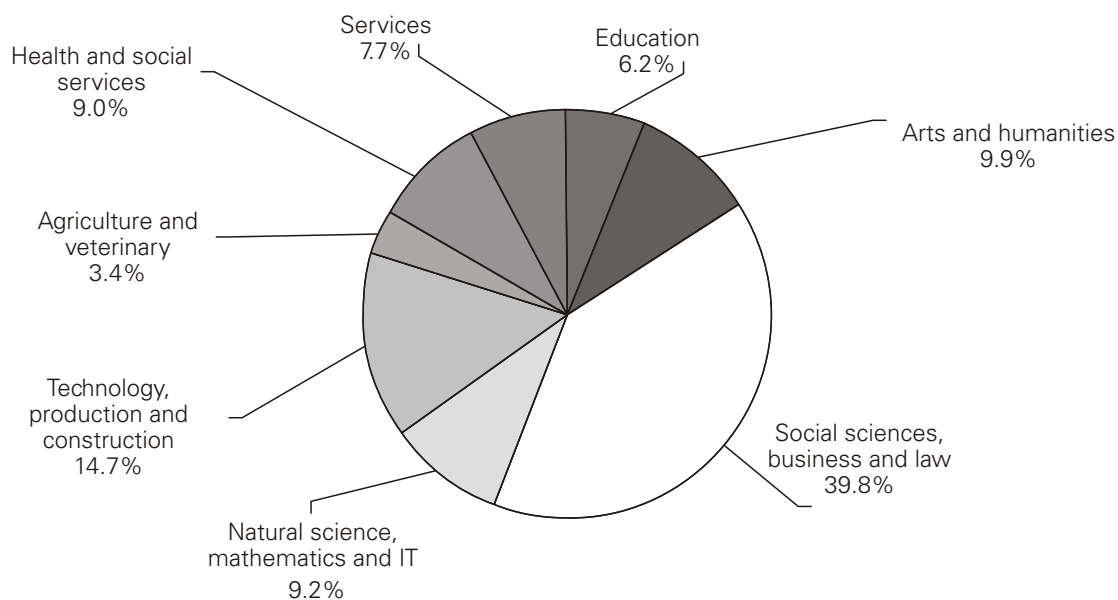
Source: Serbian Ministry of Education 2010.

FIGURE 2.1 EDUCATION SYSTEM

Source: Serbian Centre for Education Policy (www.cep.edu.rs/eng/?q=node/97).

FIGURE 2.2 REQUIRED CHARACTERISTICS, KNOWLEDGE AND SKILLS OF EMPLOYEES

Source: EU Support to the Unemployed and Human Resource Development Project, Labour Market Analysis 2008.
www.radimozajedno.org/Downloads/publikacije/Results_of_the%20company_survey_2008.pdf

FIGURE 2.3 HIGHER EDUCATION BY FIELD OF STUDY, 2007/08

Source: Based on data from the Statistical Yearbook of Serbia 2009.

3. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN EMPLOYMENT

3.1 STRUCTURE OF THE LABOUR MARKET

The process of market liberalisation in Serbia has not yet created a positive labour market dynamic. Privatisations during the transition years after 2000 led to mass layoffs and further contributed to a reduction of the activity and employment rates. Remarkable economic growth rates of more than 5% on average in the 2000-08 period did not translate into net job creation but to jobless growth, similar to what happened in other Western Balkan countries. The global economic crisis also had a negative impact on net job creation. The total number of jobs (2 450 653 in October 2009) has decreased by 8% since October 2008. In the same period, the LFS indicated that the number of unemployed people went up by 11.6% (see **TABLE 3.7**).

Insufficient net job creation has led to persistent problems in the Serbian labour market, namely: (i) continuously falling activity and employment rates, in particular for women; (ii) a high youth unemployment rate; (iii) extremely difficult labour market integration for vulnerable groups such as Roma and people with disabilities; and (iv) a highly segregated labour market with 'insiders' in relatively protected jobs and 'outsiders' in precarious informal jobs.

Activity and employment rates

There has been a continuous decline in the activity rate in recent years, which has fallen from 66.4% in 2004 to 60.5% in 2009 (SORS, 2009a; see **TABLE 3.5**). The low activity rate has many causes including: (i) early labour market exit (41.2% of the inactive are in retirement); (ii) discouraged job seekers (accounting for 6.8% of the inactive); (iii) a high share of inactive women (the inactivity rate for women is 47.2% against 31.6% for men); and (iv) low youth (15-24 years) participation rates (less than 30% participate in the labour market). It is also interesting to note that 34.8% of people with medium education attainment do not participate in the labour market. This indicates an important loss of human resources and the limited capacity of the training system to adapt the skills of people with middle level qualifications to emerging needs. The problem is more pronounced among men (57.5% of inactive men have medium or higher educational attainment) compared to women (57.2% of inactive women have poor or no educational attainment). Female inactivity is associated with a low educational background; inactive men with better education attainment were possibly made redundant during the transition years.

Employment rates have followed a similar negative, although less abrupt, trend. Employment rates for the total population decreased from 53.4% in 2004 to 50% in 2009 (SORS, 2009a). There is a positive correlation between educational level and employment: only 52.2% of secondary school graduates compared to 71.3% of higher education graduates are employed.

Women in the labour market

Women in the labour market face several challenges. According to LFS (SORS, 2009a), the female labour force participation rate of 52.8% is markedly lower than for males (68.4%). This discrepancy is partly due to the lack of childcare and elderly care facilities. The employment rate of women (42.7%) is the lowest among the IPA countries after Turkey and the former Yugoslav Republic of Macedonia. Women with low skills find only precarious and poorly paid jobs in the informal sector and cannot afford care facilities for dependent children, elderly people and individuals with disabilities in urban areas. The gender pay gap is estimated at 15%-16%, slightly lower than the EU average (Arandarenko and Avlijas, in press).

Women are also more often unemployed, with 19.1% unemployed compared to an average of 17.4%, according to the LFS (SORS, 2009a). However, as male employment has declined more, the gap between men and women in terms of unemployment has closed slightly. Unemployed women registered with the National Employment Service (data for January 2010) make up 52.5% of the total registered unemployed. Job losses for women reached 70 000; most losses occurred in manufacturing (close to 20 000) and the wholesale and retail sectors (more than 30 000). It is evident from the LFS that women with fewer skills and low education attainment are more negatively exposed to the impact of the crisis in the economy and labour market (FREN, 2009).

Employment and unemployment of the older workforce

Restructuring has particularly affected the older workforce (55-64 years). The labour force participation rate for this age group in 2008 of 41% further declined to 38.9% in 2009 and the employment rate went from 37.9% to 35% (SORS, 2009a). The decline is mainly caused by restructuring and the privatisation of state enterprises, with layoffs mainly of older workers. Women have been even more negatively affected by this process; however, it has to be noted that under the Law on Pension and Disability Insurance women are eligible for retirement at the age of 60. Older people mainly work in agriculture (40%), followed by manufacturing (13%).

Self-employment constitutes as much as one third of the total employment for this age group. Unpaid family workers also have a very high share of employment (12.6%). Almost half of the older workforce is employed in vulnerable jobs. This certainly affects the unemployment trend which, for this age group, reached 10% in October 2009, up from 7.6% in October 2008.

Changes in the employment structure

The employment structure in Serbia remained quite stable between 2004 and 2009 (**TABLE 3.8**). Agriculture, with 24% of employment, is still an important sector in the labour market. The high share of agriculture is very common in the Western Balkans (with the exception of Montenegro). Although employment in agriculture decreased between 2004 (24% of total employment) and 2007 (20% of total employment), it increased again from 2008 because people tend to return to the subsistence economy in times of crisis. The industrial sector increased its contribution to employment between 2004 (26.9%) and 2007 (29.5%) but has been in decline since the onset of the economic crisis in response to falls in exports and domestic demand (25.1% in 2009). As in most transition countries, the service sector gained ground until mid-2000 but its share of employment has stagnated at around 50% since 2004.

The government has repeatedly emphasised that the driving force of the labour market must be the private sector. As the privatisation process has not yet been fully completed, employment in the public sector still constitutes almost one third of salaried employment.

Although still limited, flexible forms of employment have increased in recent years: 7.5% of formal wage employment is part-time and 12% of jobs are fixed-term arrangements (Arandarenko and Krstic, 2008). As much as 70% of the job vacancies reported to the Serbian National Employment Service are for fixed-term jobs. It remains to be seen whether fixed-term employment offers a decent career perspective to young people or whether it contributes to raising youth unemployment by facilitating last-in-first-out dismissal practices in times of crisis.

Informal employment

The informal economy was estimated at 19%-40% of GDP at the beginning of 2000s (Krstic and Sanfey, 2009). Accordingly, informal employment is a very common phenomenon that is creating a segregated labour market. The wage differences between formal and informal employment have widened in recent years. Taxation and social security contributions amounting to 35% of an employee's wage have discouraged investment in labour-intensive sectors and have encouraged the informalisation of employment, especially for jobs with low skill requirements and paying low wages.

Informal employment in Serbia is estimated at around 35% and has increased by 7% since 2002 (SORS et al., 2008). Informal employment is a dominant feature of the agricultural sector, standing at 52% in rural areas, 11.3 points up from the previous LSMS survey. Informal

employment mostly absorbs unqualified and unskilled labour. Of the informally employed population, 53% have primary education, about 39% have secondary education and around 8% have university education.

Informal work has become quite common for young people, increasing from 41% in 2002 to 50% in 2007 (SORS et al., 2008). According to an ETF survey of the transition from school to work in 2007, three quarters of job holders in the 15-19 age group had informal jobs. In the 20-24 age group, informally employed people outnumbered formally employed people by 8%. The lower the educational level, the higher the level of informal employment. Informal work by young people is very common in the services and agricultural sectors. The LSMS survey has concluded that informal employment widens the wage gap and deteriorates working conditions and, hence, directly contributes to poverty and social exclusion.

It is worth noting that informal employment has also decreased with economic decline, particularly after the crisis in 2008. According to the LFS, informal employment was 23% in October 2008 but fell to 18.2% in October 2009, a decline of 100 000 people. The fall in informal employment cannot be explained by an increase in formal employment (as the latter did not happen) but is rather an outcome of more people remaining inactive.

3.2 UNEMPLOYMENT

General unemployment trends

Following the economic restructuring that has been ongoing since the beginning of 2000, the unemployment rate increased to 17.4% in 2009 (with the exception of a brief jump in 2008). With 60 000 additional unemployed people from the previous year, the total number of unemployed people in 2009 was 516 990 according to the LFS.

The main reasons for the soaring unemployment are the recent impact of the economic crisis and the fact that effective labour market policies were neglected during and after the years of transformation, leading to a consolidation of structural unemployment. Job losses since the onset of the crisis have occurred especially in the manufacturing sector where a total of 33 000 jobs (10% of employment in the sector) were cut. Strongly affected by the crisis was the unemployment rate for secondary school graduates, which increased from 16.7% (2008) to 20.0% (2009). The most disadvantaged group is that with lower educational attainment (11.5% in 2008 to 17.8% in 2009). Women, despite better educational achievement, are more likely to be unemployed than men (Arandarenko and Krstic, 2008).

Youth unemployment

Youth unemployment is a paramount problem in Serbia, which had a 42.5% youth unemployment rate in 2009. Although the validity of the exact unemployment rate of young people is under discussion, this is by far the

highest youth unemployment rate of all the IPA countries, with only the former Yugoslav Republic of Macedonia performing worse in this respect. The reason for this high unemployment rate, apart from the impact of the economic crisis on job creation, is that young people are mostly employed in the private sector and in the informal economy, which are both more exposed to economic developments.

Both activity and employment rates for the 15-24 age group fell between 2008 and 2009. While the youth population was 900 000 in 2008, it decreased to 860 000 in 2009. Inactivity, affecting 600 000 people, remained the same in both periods. The high level of absence of this age group from the labour market is not only due to the continuation of education and training but also to real inactivity: more than one third of 15-24 year olds are neither in employment nor in education or training (Krstic and Corbanese, 2008).

Young people work in informal jobs more often than any other age group, although the share of young people working informally has gone down from an estimated 37.6% in 2008 to 29.4% in 2009, in line with the general decline in informal employment during the crisis period.

The employment rate for young people also reveals a worrisome gender gap, with a 26.3% employment rate for men but only 15.7% for women in 2008 (Arandarenko and Nojkovic, in press). According to the LFS, in 2009, 37% of all unemployed people and almost 77% of young unemployed people were first-time job seekers. More than half of young unemployed people have been searching for a job for more than one year. An ETF 2007 study on transition from school to work in Serbia found that 'one in three young Serbs take more than two years to get their first job after leaving school'.

The government aims to tackle the problem of youth unemployment with the launch of a new apprenticeship programme entitled First Chance, targeting 10 000 young people (up to 30 years of age) with wage subsidies (Arandarenko and Nojkovic, in press). According to the Serbian National Employment Service, 9 577 trainees were employed within the framework of this programme in 2009 for a spending on incentives of RSD 1.3 billion. In the first six months of 2010, 7 009 young people benefited from the programme. Registered unemployment for young people has decreased since mid-2009, signalling the positive impact of this programme.

LFS data versus registered unemployment

Similar to most other Western Balkan countries (with the exception of Montenegro), registered unemployment is considerably higher than unemployment according to LFSs. The Serbian National Employment Service registered unemployment rate in January 2010 was 26.50%, almost 10% higher than in the Serbian LFS of October 2009. Not all the 852 426 people registered at the end of February 2010 are actively searching for a job.

'This is supported by the latest 2007 LSMS results, as among those who reported in the LSMS that they registered with the National Employment Service in order to find a job, only 42% were actually unemployed according to the ILO definition, 35% were employed and 23% were inactive individuals. Among those actually employed but registered as unemployed, 95% work in the informal economy.' (Arandarenko and Krstic, 2008)

Long-term unemployment

One of the common problems of Western Balkan countries is the high share of long-term unemployment and Serbia is no exception. According to the LFS of October 2009, 65.5% of the unemployed are long-term unemployed. According to the National Employment Service register for January 2010, 64.12% or 481 922 people had been out of work for more than 12 months. Specifically affected are people with low educational levels. These breakdowns possibly reflect the transition process whereby the economy was restructured by shedding many employees with poor skills or skills no longer in demand. It can be assumed that most long-term unemployed people end up becoming inactive rather than continuing to participate in the labour market.

3.3 JOB CREATION

Job creation is an urgent issue as, in spite of the improved business climate and steady economic growth, (registered) employment has been continually falling. Five obstacles to job creation were identified by a working group in the Serbian Employment Growth Forum in 2005: slow economic development; lack of labour market flexibility; limited reach of active labour market measures (ALMMs); non-engagement of local communities; and inadequate skill levels in many employees.

SMEs constitute an important economic factor, generating 67.6% of the country's GDP and 67.2% of employment. SMEs generated a total of 187 419 jobs between 2004 and 2008 (Institute of Economic Sciences, 2009). The government strives hard to stimulate SMEs and has developed a Strategy for Development of Competitiveness and Innovative Small and Medium-Sized Enterprises 2008-13. In addition, several programmes to subsidise job creation by SMEs (e.g. loans for additional employment) were implemented. This partly explains why SMEs were not much affected by the crisis. However, the number of SMEs has hardly changed and has been almost stagnant since 2004. This illustrates that the SME support strategy is not yielding the expected results and needs to be further strengthened.

With a share of 22.8% of total employment (15+), self-employment is another relevant factor in job provision; approx. 490 000 people are self-employed (LFS 2009). However, these jobs are vulnerable and their sustainability is questionable. The National Employment Service implements self-employment schemes as part of its ALMMs (see Section 3.4 below).

3.4 PASSIVE AND ACTIVE LABOUR MARKET POLICIES

Passive labour market policies

The recently enacted Law on Employment and Unemployment Insurance has tightened the entitlement conditions for receiving unemployment benefits. According to the National Employment service (data for 2009), only 11.5% of the registered unemployed (8.6% of women) receive unemployment benefits. The number of benefit recipients has climbed 18% from 2008 to 2009. Of total programme spending by the Serbian National Employment Service (passive and active measures, without administrative costs), around 90% of the budget was spent on unemployment benefits during 2003-07 (Arandarenko and Krstic, 2008).

Active labour market policies⁴

Since 2005, active labour market policy (ALMP) is defined as an explicit policy within the National Employment Strategy 2005-10. The budget allocated to ALMMs by the Serbian National Employment Service was less than 0.12% of GDP in 2008. This is low compared to the EU average (0.47% of GDP in 2007) but more than in most other IPA countries. The budget was increased to around EUR 35 million for ALMMs in 2009 to alleviate the impact of the crisis. According to the Serbian National Employment Service, 40 000 unemployed people were employed after their participation in ALMMs (apprenticeship programmes, employment subsidies and public works) in 2009.

The ALMMs implemented by the Serbian National Employment Service are clustered in four groups: career guidance and counselling (including also active job-search training, job clubs, job fairs, assessment of employability, individual employment plans, selection and classification); additional education and training (including First Chance programme); job subsidies (including self-employment schemes); and public works.

In terms of budget allocation, the lion's share is spent on job subsidies. In terms of participants, the number of beneficiaries is growing. According to the Serbian National Employment Service activity report 2009 the distribution of beneficiaries to different measures was as follows: 93 377 participants in active job search measures; 20 515 participants in additional education and training programmes; 11 732 beneficiaries of job creation/self-employment subsidies; and 10 160 people participated in public works.

Job vacancies and placement

Approximately 270 000 people were recruited through the assistance of the National Employment Service in 2009. Compared to the average number (stock) of 746 605

registered unemployed and 516 116 vacancies, this is a moderate but remarkable placement result. There was an increase in recruitment in June and July 2009, possibly related to the measure to increase youth employment (targeting 10 000 young people) in SMEs through subsidised wages.

The number of notified vacancies with the Serbian National Employment Service went down between 2008 and 2009 by more than one third. This may be attributed to the abolition of the compulsory vacancy notification system as well as to the impact of the crisis.

A project entitled Data Forecasting and Management in the Serbian National Employment Service was launched in March 2010 under the IPA 2008 programme with the aim of improving the capacity for skills forecasting in the labour market and monitoring and evaluation of the impact of ALMPs.

3.5 LABOUR MARKET AND EMPLOYMENT POLICY FRAMEWORK

National Employment Strategy and Actions Plans

The Ministry of Economy and Regional Development has developed several national strategic documents on employment. The most important is the National Employment Strategy 2005-10, drafted in line with the employment guidelines of the European Employment Strategy. It has three objectives: full employment; labour quality and productivity; and social cohesion and labour market inclusion.

The document highlights the importance of employment generation at regional level, social dialogue and job generation by the private sector and through foreign direct investment. The quantitative targets set are as follows:

- increase labour force participation to 72%;
- increase employment to 67%;
- reduce unemployment to 8%;
- reduce informal employment to 20%.

The achievement of these ambitious targets was negatively affected by the global economic crisis among other reasons. Another priority of the government is to upgrade ALMMs targeted mainly at young people, redundant workers, women, refugees and internally displaced people, Roma and people with disabilities. It should be noted that the budget for ALMMs in 2010 has continued to rise, although the global crisis has forced the government to cut the budget for several investments. Implementation of the National Employment Strategy was further operationalised in the National Employment Action Plans 2006-08, 2009 and 2010.

⁴ According to the Law on employment and unemployment insurance, ALMPs are: job matching services for jobseekers; vocational guidance and career counselling; employment subsidies; support to self-employment; further education and training; incentives for users of unemployment benefits; public works and other measures aimed at people seeking employment.

In September 2009, the Government of Serbia also adopted the Youth Employment Policy and Action Plan 2009-11 prepared by the Ministry of Economy and Regional Development, defining five strategic objectives to be pursued for the promotion of full, productive and freely chosen employment for youth.

The government has recently adopted a Career Guidance and Counselling Strategy (see Section 2.6 above).

The Poverty Reduction Strategy paper (in line with the National Employment Strategy), adopted by the government in 2003, emphasises the importance of job creation within the private sector. The Poverty Reduction Strategy in the field of employment is closely linked to the National Employment Strategy.

In 2008 the government adopted the National Sustainable Development Strategy of the Republic of Serbia 2009-17 defining the following priorities: EU membership, development of competitive market economy, development of human resources and increased employment, development of infrastructure and balanced regional development, and protection of the environment (Government of Serbia, 2008b).

3.6 INSTITUTIONAL SET-UP AND LABOUR MARKET MANAGEMENT CAPACITIES

In 2007, the Ministry of Economy and Regional Development took over responsibility for employment issues and is now the main body defining employment policy and measures. The number of civil servants working with employment issues is quite limited, however, even though there has been some progress in terms of recruitment. Labour relations, labour inspectorates and social protection in general are governed by the Ministry of Labour and Social Policy. Its Labour Law covers all employees, including public employees. It was adopted in 2005 with the aim of making the labour market more flexible. The ministry's capacity is well developed, particularly the labour inspectorate, with 270 inspectors dealing not only with issues of working conditions but also informal employment. Nonetheless, it is necessary to develop a workable coordination mechanism for the

strategy and action plan preparation and implementation phases, between ministries such as the Ministry of Education, the Ministry of Labour and Social Policy, the Ministry of Trade and Services and the Ministry of Science and Technological Development.

National Employment Service

The National Employment Service, a public agency under the political responsibility of the Ministry of Economy and Regional Development, is in charge of administering the unemployment insurance scheme, referral and job placement services, guidance and counselling services and the implementation of ALMMs. The legal basis is the 2009 Law on Employment and Unemployment Insurance. Service delivery is organised through 34 branch offices. As of 2010, the Serbian National Employment Service has 1 800 employees, of whom 1 100 are front-desk counsellors dealing with clients. Two career guidance centres have been established in the Serbian National Employment Service so far: one in Belgrade and one in Niš. The caseload of registered unemployed per counsellor is approximately 500 (Arandarenko and Krstic, 2008). There is a need to provide regular and strategically oriented staff training, strengthen networks and delivery capacities at the local levels (local employment plans, etc.) and ensure continuity in ALMM implementation.

Social partners

The Social and Economic Council is the tripartite consultative mechanism at the national and local levels. It gained importance when measures for alleviating the impact of the economic crisis were decided. Social partners also participate in the Republic Employment Council acting at national level and its local employment councils that have a consultative role. These are two different bodies which together with their local networks act under the mandates of two different ministries (the Ministry of Labour and Social Policy and the Ministry of Economy and Regional Development). Bilateral, sectoral and local social dialogue, however, remains weak. Although there has been an increase in the number of tripartite local employment councils, the effectiveness of the social partners in these councils remains limited. It is also necessary to sustain an employment dialogue platform through effective participation by social partners, universities and civil society organisations. Employer associations and trade union confederations are described in Section 2.8 above.

TABLES

TABLE 3.1 BUDGETARY FUNDS ALLOCATED TO ACTIVE AND PASSIVE EMPLOYMENT MEASURES, 2006-10

Budget allocation (billion RSD)	2006	2007	2008	2009	2010
Active measures	1.500	2.384	3.014	3.500	3.700
Passive measures	8.033	9.950	7.300	4.710	6.036

Source: National Employment Action Plan for 2010.

TABLE 3.2 EXPENDITURE ON ACTIVE AND PASSIVE EMPLOYMENT POLICIES, 2006-09

As % of GDP	2006	2007	2008	2009
Active measures	0.07	0.09	0.12	0.13
Passive measures	0.40	0.43	0.26	0.17

Source: Based on data from the National Employment Action Plan for 2010.

TABLE 3.3 ACTIVITY AND EMPLOYMENT RATES BY EDUCATIONAL LEVEL, 2008-10

	2008	2009	2010
Activity rates by educational level, age 15+			
Total	51.4	48.9	47.2
Without education	12.8	10.4	9.2
Low	35.5	32.8	29.3
Medium	61.0	58.7	58.0
High	68.1	64.1	63.7
Employment rates by educational level, age 15+			
Total	44.2	40.8	38.1
Without education	12.2	10.1	9.0
Low	31.4	27.8	24.5
Medium	50.9	47.1	45.0
High	61.9	58.3	55.4

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.4 ACTIVITY AND EMPLOYMENT RATES BY AGE GROUP, 2008-10

	2008	2009	2010
Activity rate			
15+	51.4	48.9	47.2
15-24	33.8	29.5	28.2
25-34	78.7	77.6	78.2
35-44	85.6	86.1	85.0
45-54	74.8	74	72.4
55-64	41	38.9	36.9
65+	11.4	9.7	8.9
15-64	62.6	60.5	59.1
Employment rate			
15+	44.2	40.8	38.1
15-24	21.2	17.0	15.1
25-34	63.4	60.6	57.3
35-44	76.4	73.6	71.2
45-54	67.0	64.3	61.6
55-64	37.9	35.0	35.0
65+	11.4	9.7	8.9
15-64	53.3	50.0	47.2

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.5 BASIC LABOUR MARKET INDICATORS, 2004-10

%	2004	2005	2006	2007	2008	2009	2010
Activity rate 15-64 years	66.4	65.2	63.6	63.4	62.6	60.5	59.1
Employment 15-64 years	53.4	51.0	49.8	51.5	53.3	50.0	47.2
Female employment 15-64 years	44.0	40.8	40.6	43.0	44.7	42.7	40.3
Elderly employment 55-64 years					37.9	35.0	32.6
Unemployment 15-64 years	19.5	21.8	21.6	18.8	14.7	17.4	20.1
Female unemployment 15-64 years	24.1	27.4	25.5	21.7	16.7	19.1	
Youth unemployment 15-24 years					37.4	42.5	46.4
Share of long-term unemployment	77.5	79.0	80.6	81.2	70.6	65.5	66.7
Inactivity rate 15-64 years	33.6	34.8	36.4	36.6	37.3	39.5	40.9

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.6 EMPLOYMENT GROWTH, 2005-10

%	2005	2006	2007	2008	2009	2010
Employment growth 15-64 years (base year 2004)	-6.3	-8.7	-8.3	-3.4	-11.6	-20.1

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.7 EMPLOYMENT AND UNEMPLOYMENT, 2004-10

15-64 years	Employment			Unemployment		
	Total	Female	Male	Total	Female	Male
2004 October	2,735,977	1,141,187	1,594,789	664,002	361,511	302,491
2005 October	2,574,139	1,033,151	1,540,988	718,773	390,097	328,676
2006 October	2,516,794	1,029,085	1,487,709	691,877	352,788	339,089
2007 October	2,525,570	1,064,011	1,461,559	584,216	295,234	288,982
2008 October	2,646,222	1,122,835	1,523,387	457,205	235,468	221,737
2009 October	2,450,653	1,058,767	1,391,875	516,990	250,562	266,427
2010 April	2,278,505	977,548	1,300,957	572,502	259,062	313,440

Source: SORS LFS.

TABLE 3.8 EMPLOYMENT BY SECTOR AND GENDER, 2004-10

Year	Age 15+	Total	Agriculture	Industry	Services
2004	Total	100	24.0	26.9	49.1
	Male	100	23.9	32.9	43.1
	Female	100	24.1	18.5	57.3
2005	Total	100	23.3	27.6	49.1
	Male	100	23.3	34.4	42.3
	Female	100	23.3	17.5	59.2
2006	Total	100	20.5	29.3	50.2
	Male	100	21.5	36.7	41.9
	Female	100	19.2	18.7	62.1
2007	Total	100	20.8	29.5	49.7
	Male	100	21.7	36.5	41.7
	Female	100	19.5	19.6	60.9
2008	Total	100	24.1	27.2	48.7
	Male	100	23.7	34.0	42.3
	Female	100	24.5	17.7	57.8
2009	Total	100	24.0	25.1	50.9
	Male	100	24.8	32.2	43.0
	Female	100	22.9	15.6	61.5
2010	Total	100	22.9	25.0	52.1
	Male	100	24.1	31.5	44.4
	Female	100	21.3	16.1	62.6

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.9 UNEMPLOYMENT RATES BY EDUCATIONAL LEVEL, 2008-10

	2008	2009	2010
Age 15+ Total	14.0	16.6	19.2
Without education	4.7	2.7	1.6
Low	11.5	15.2	16.3
Medium	16.7	19.8	22.4
High	9.0	9.1	13.1

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.10 UNEMPLOYMENT RATES BY AGE GROUP, 2008-10

Age	2008	2009	2010
15+	14.0	16.6	19.2
15-24	37.4	42.5	46.4
25-34	19.4	21.9	26.7
35-44	10.5	14.5	16.3
45-54	10.4	13.1	14.9
55-64	7.6	10.0	11.6
65+	–	0.3	0.6
15-64	14.7	17.4	20.1

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.11 DURATION OF UNEMPLOYMENT BY AGE AND GENDER, 2004-10

Year	Age 15+	Total	Less than 1 year	1 year and over
2004	Total	100	22.6	77.4
	Males	100	24.4	75.6
	Females	100	21.1	78.9
2005	Total	100	20.3	79.7
	Males	100	19.8	80.2
	Females	100	19.9	80.1
2006	Total	100	19.2	80.8
	Males	100	22.9	77.1
	Females	100	15.0	85.0
2007	Total	100	18.7	81.3
	Males	100	20.1	79.9
	Females	100	17.4	82.6
2008	Total	100	29.4	70.6
	Males	100	29.6	70.4
	Females	100	29.0	71.0
2009	Total	100	34.5	65.5
	Males	100	33.5	66.5
	Females	100	35.6	64.4
2010	Total	100	33.3	66.7
	Male	100	36.2	63.8
	Female	100	29.8	70.2

Source: SORS LFS 2009 and 2010; 2009 data refer to October and 2010 data refer to April.

TABLE 3.12 NATIONAL EMPLOYMENT SERVICE REGISTERED UNEMPLOYMENT, VACANCIES AND EMPLOYMENT, 2004-09

Year	Unemployed	First time job seekers	Unemployment benefit recipients	Newly registered	Registered vacancies	Filled vacancies	Employed from the register
2004	843,692	456,003	76,584	28,287	507,694	439,422	221,156
2005	888,386	467,430	63,295	32,779	602,558	537,139	242,627
2006	913,293	467,421	75,059	32,542	707,140	631,535	291,774
2007	850,004	419,397	71,334	30,791	758,832	695,508	314,847
2008	755,953	360,030	72,719	34,293	790,261	737,725	320,531
2009	746,605	280,858	85,695	40,299	516,116	642,989	268,805

Source: Serbian National Employment Service.

TABLE 3.13 NATIONAL EMPLOYMENT SERVICE REGISTERED FEMALE UNEMPLOYMENT, VACANCIES AND EMPLOYMENT, 2004-09

Year	Unemployed	First time job seekers	Unemployment benefit recipients	Newly registered	Filled vacancies	Employed from the register
2004	460,887	263,008	na	14,054	210,396	112,440
2005	480,492	267,810	na	15,968	250,681	120,702
2006	493,599	269,820	na	15,989	297,407	145,783
2007	457,762	244,709	na	14,935	420,860	156,650
2008	408,767	212,525	na	16,923	344,399	158,944
2009	397,230	168,619	34,480	19,636	311,164	140,230

Source: Serbian National Employment Service.

TABLE 3.14 ACTIVE LABOUR MARKET MEASURES, 2007-09

Measure	2007	2008	2009
Active job search (job-search assistance, job clubs, job fairs)	90,500	105,700	93,400
Additional education and training	14,600	10,000	20,500
Subsidies (including self-employment schemes)	9,600	12,100	11,700
Public works	3,700	10,200	10,100

Source: Ministry of Economy and Regional Development.

TABLE 3.15 DOING BUSINESS RANKING, 2010

Doing Business 2010	Rank
Ease of doing business	88
Starting a business	73
Dealing with construction permits	174
Employing workers	94
Registering property	105
Getting credit	4
Protecting investors	73
Paying taxes	137
Trading across borders	69
Enforcing contracts	97
Closing a business	102

Source: World Bank Doing Business Report 2010.

TABLE 3.16 DOING BUSINESS RANKING: EMPLOYING WORKERS, 2008-10

Employing workers	Doing Business 2008	Doing Business 2009	Doing Business 2010
Rank		87	94
Redundancy costs (weeks of salary)	25	25	25
Rigidity of employment index (0-100)	31	31	35

Source: World Bank Doing Business Reports 2008, 2009 and 2010.

TABLE 3.17 WAGE INCREASES AND PRODUCTIVITY, 2002-06

Average wages per employee	2002	2003	2004	2005	2006
Nominal	71.3	24.9	22.7	23.6	24.5
Real	46.9	13.6	10.1	6.4	11.4
Work productivity (growth rate, %)	6.0	3.7	7.9	5.3	7.8

Source: Arandarenko and Nojkovic (2007).

TABLE 3.18 AVERAGE MONTHLY WAGE AND YEAR-ON-YEAR INDICES, 2000-08

Year	Nominal wages				Year-on-year gross wage indices	
	Gross in RSD	Net in RSD	Gross in EUR	Net in EUR	Nominal	Real (CPI)
2000	3,804	2,393	74	47		
2001	8,712	5,394	146	91	229.0	117.5
2002	13,298	9,224	219	152	152.6	127.7
2003	16,638	11,518	256	177	125.1	113.9
2004	20,576	14,121	283	194	123.7	111.4
2005	25,565	17,478	308	211	124.3	107.0
2006	31,801	21,745	378	258	124.4	111.3
2007	38,781	27,785	485	347	121.9	114.6
2008	45,690	32,757	561	402	117.8	104.4

Source: Arandarenko and Avlijas (in press).

4. KEY POLICY ISSUES, STRATEGIES AND CHALLENGES IN SOCIAL INCLUSION

The concept of social inclusion is relatively new in Serbia's policy discourse, with research and policy priorities so far focused mainly on poverty, economic vulnerability and social protection of the population. The recent shift of focus from poverty reduction towards broader social exclusion issues and social inclusion strategies has been brought about by progression in the country's EU aspirations and by an awareness of solidarity and social cohesion as key EU values and objectives.

4.1 POLICY INITIATIVES AND PROGRAMMES FOR VULNERABLE GROUPS

Current national legislation and policies aim to provide efficient social protection to vulnerable groups in the population. The Law on Social Protection and Provision of Social Security to Citizens (Official Gazette of the Republic of Serbia, Nos 36/1991, 79/1991, 33/1993, 53/1993, 67/1993, 46/1994, 48/1994, 52/1996, 29/2001, 84/2004 and 101/2005) is the basic regulatory act in force since 1991. Designed in a completely different economic and social environment, this law has been amended many times and recently a new draft was produced and debated and is expected to be adopted soon. The new draft, based on EU standards and lessons learned during reforms of Serbia's social protection system (underway since 2001), provides for decentralisation of social protection provision (through larger local government involvement in developing, funding and managing different types of support for poor and marginalised people) and a focus on community-based social services.

The institutional setting needed to enforce the new law has already been substantially enhanced: all social work centres in Serbia have undergone modernisation; a case management and supervision system has been developed and made operational; national minimum standards for 16 priority social services (both residential and community-based) have been developed; and a governmental body for research, innovation and professionalisation of social service provision (the Institute for Social Protection) was established in 2005. Currently, approximately 80% of municipalities in Serbia have developed home-help community-based services, 35% of which are day care services.

While actions – driven by EU policies – in the field of poverty reduction and social protection in Serbia have been prompted and supported by bilateral donors (the Canadian International Development Agency, the UK

Department for International Development, the embassies of Norway and Switzerland, the Swedish International Development Cooperation Agency, the United States Agency for International Development, etc.) and international organisations (the European Commission, the World Bank and the United Nations Development Programme (UNDP)), Serbia has managed to establish efficient domestic structures and to involve key national actors in leading the process. By now, over 120 local governments have adopted social policy plans. The drafting of a national Poverty Reduction Strategy in 2003 involved over 3 000 government and civil society actors. In 2004, a specialised technical unit, attached to the Office of the Deputy Prime Minister for European Integration, was established to coordinate and oversee (in cooperation with the Statistical Office of the Republic of Serbia) the implementation of the Poverty Reduction Strategy, while in 2009 its functions were expanded, via the Social Inclusion and Poverty Reduction Unit, to cover developing social inclusion policies on the basis of good practices in Europe (see Section 2.8 above).

In March 2010, the government established a Social Inclusion Working Group of key government officials, researchers, civil society activists and practitioners to serve as an important forum for dialogue between government and non-government stakeholders and for the formulation of recommendations to enhance social inclusion in Serbia within the overall framework of European integration.

Groups with high levels of poverty and social exclusion

There is a consensus among researchers and policymakers in Serbia that poverty is the main driver for social exclusion and the main barrier to social inclusion. The Poverty Reduction Strategy endorsed in 2003 was meant to contribute primarily to the alleviation of absolute poverty, the target being to halve the number of poor people in the country by 2010. LSMS data show that the objective was met before the deadline set: while 14% of the population (approximately one million people) were poor in 2002, by 2007 this figure had dropped to 6.6% (490 000 people) (Krstic, 2008). According to Statistical Office of the Republic of Serbia official data drawn from the household budget survey, in 2009 6.9% of the population in Serbia lived below the absolute poverty line and 13.6% lived below the relative poverty line (Government of Serbia, 2009b).

Steady economic growth between 2000 and 2008, along with the increase in incomes (wages and remittances

from abroad) and an efficient social transfer policy are behind the substantial decline in poverty in Serbia. The economic crisis, however, has reversed the poverty reduction trend and led to a deterioration in living conditions. Estimates for the first half of 2009 indicate an increase (as compared to 2008) in absolute poverty and in the poverty gap, particularly affecting young and non-educated people and those living in rural areas (Matkovic et al., 2010).

Research data document that the unemployed, households with two or more children, the elderly, people living in non-urban areas, Roma, internally displaced people and people with disabilities are the groups with the highest poverty incidence and at higher risk of social exclusion (Krstic, 2008; Government of Serbia, 2009c; European Commission, 2008). Educational underachievement, long-term unemployment, poverty, social and spatial segregation and political and social marginalisation often combine and accumulate to produce an adverse overall effect for these groups, exposing them to multiple deprivations and chronic, intergenerational poverty (UNDP, 2006a; European Commission, 2009c). The combination of these factors is particularly salient with Roma and people with disabilities, therefore the remainder of this chapter focuses mainly on the existing patterns of in/exclusion in education and work for these two groups in Serbia.

4.2 SOCIAL INCLUSION IN EDUCATION

New legislation

Education legislation in Serbia and the newly adopted Law on Education System Fundamentals in particular, promote inclusive education by upholding the principles of equal opportunities, accessibility, non-discrimination and choice of language of instruction. This law, which will enter into force in the 2010/11 school year, aims to remove previous legal or institutional barriers to the inclusion in mainstream education of children with developmental disabilities and those coming from vulnerable social groups.

The law proclaims that ‘persons with mental and physical disabilities have the right to education in the mainstream education system’, obliging schools to develop individual education plans for students with specific needs. The law substantially liberalises enrolment policies by foreseeing the following changes: admission in primary schools without identity documents (of particular relevance for internally displaced and Roma children who often live in unregistered settlements); cancellation of psychological tests and assessments as a precondition for enrolment in mainstream primary schools; and lower admission standards and scholarships based on social criteria for students who enrol in secondary education. Schools may employ pedagogical and teaching assistants to provide advice and additional educational support to students according to their needs and to cooperate with parents and also with relevant institutions and organisations.

Education of children with disabilities

Children with developmental disabilities are mainly educated in special schools or in special classes in regular schools, with only a small number studying in mainstream schools. There are 74 special schools in Serbia (49 for primary education and 25 for secondary education) with 7 400 students (approximately 5 700 in primary education and 1 700 in secondary education). Separate classes for students with development disabilities attending mainstream schools exist in 82 primary schools and six secondary schools (ETF, 2010). LSMS data show a decline in the share of children in special schools, from 8% in 2002 to 5.6% in 2007 (Klasnja, 2008). However, there is worrying evidence that 7%-10% of children with development disabilities remain entirely outside the education system (UNICEF, 2001).

Currently, the education of children with disabilities in mainstream schools in Serbia is possible thanks more to individual actions and sustained efforts by activists from NGOs, parents, experts and teachers (Beker, 2007) rather than to systemic support or favourable institutional settings. The national NGO, VelikiMali, based in Pancevo, points out that discrimination in education toward children with disabilities is present in many ways. First of all, discrimination is present within special schools – e.g. only children with mild and moderate mental disabilities can attend special schools while children with severe and profound mental disabilities are considered as non-educable (VelikiMali, 2005). Moreover, children with disabilities enrolled in mainstream schools face many problems, such as hostile attitudes, architectural inaccessibility of schools, teachers not trained to work with children with disabilities and working unsupervised and individual education plans introduced only as pilots. As a result, children from inclusive classrooms cannot pass exams and end up transferred to special schools (ETF staff interview with VelikiMali, March 2010).

Only a small percentage of people with disabilities attend Serbian universities. While official data is not available, some estimates suggest that there are about 300 students with disabilities at the University of Belgrade (out of total of 74 496 students in the 2007/08 academic year), enrolled mostly in the Faculty for Special Education and Rehabilitation and the Faculty of Social Sciences (ETF staff interview with members of the Association of Students with Disabilities, March 2010). About 90 students with disabilities attend the University of Novi Sad and about 50 attend the University of Niš (Ministry of Education, 2008). Even though some faculties have taken steps to improve wheelchair access to their buildings (e.g. at the University of Niš), physical obstacles remain one of the fundamental reasons for the small number of enrolled students with disabilities.

Education of Roma children

Roma children are the most disadvantaged and excluded group in Serbia’s education system (**TABLE 4.1**). Only 36% of Roma children complete primary, 9.1% complete secondary and 0.9% complete tertiary education (Open Society Institute, 2008). Most Roma children leave school

at the point of transfer from class-based to subject-based instruction and more girls tend to drop out than boys (ETF, 2010).

A preparatory preschool programme has been introduced recently as a measure to provide basic skills for primary school enrolment and support to socially excluded children, including refugees and internally displaced people. The programme is mandatory and free of charge as of the 2006/07 school year. However, the children who need it most are still poorly covered. According to Ministry of Education data, in 2006/07, coverage was 89% for the general population and only 56% for Roma children. The quality of the programme is also less in less developed areas; moreover, it is not ethnic- and development-sensitive.

Segregation in education is particularly visible in primary education, where Roma children tend to be allocated to separate Roma classes or transferred to special schools for students with intellectual disabilities; in some special schools Roma children represent 80% of the students (UNICEF, 2001). In addition, Roma children below 15 years of age are placed in schools for adult learners with an abridged curriculum. The main barriers for the participation of Roma children in education are legal and administrative requirements for enrolment, poor command of the Serbian language, a lack of resources for education-related costs, the isolation of Roma residential settlements and geographical distance to the nearest school and, finally, a lack of motivation and a poor learning culture and tradition, especially as regards girls and women.

In the framework of the Decade of Roma Inclusion 2005-15, numerous activities have been implemented, such as affirmative action measures for enrolment to schools, the provision of functional basic education and protection against discrimination in education. To date, the main achievements in Serbia are as follows: 16 educational advisors responsible for improving Roma education; local Roma education improvement action plans; increased enrolment of Roma children in preschool education; and the introduction of Roma assistants in schools and their involvement with teaching activities (49 Roma assistants have been recruited so far) (Ministry of Education, 2009).

The primary education coverage of Roma children increased from 56% in 2002 to 73% in 2007, while the share of these children in special schools decreased from 8% in 2002 to 6% in 2007 (Klasnja, 2008). In terms of affirmative action concerning Roma students, in 2008/09, 168 students were enrolled in secondary education and as many as 220 in 2009/10 (Ministry of Education, 2009). A positive trend in terms of a steady increase in the enrolment of Roma in state universities has also become evident in the recent years, with numbers rising from 32 students in 2003/04 to 220 in 2009/10 (Ministry of Education, 2008).

4.3 SOCIAL INCLUSION IN EMPLOYMENT

High rates of inactivity and long-term unemployment in Serbia, as discussed in Chapter 3, signal serious barriers to employment that are further reinforced by labour market rigidities. The shortage of flexible forms of employment (in 2007, part-time jobs and temporary jobs accounted for 9.7% and 12% of total employment, respectively) blocks employment opportunities, particularly for women and young people, the least employed groups in Serbia (Arandarenko and Krstic, 2008). The most disadvantaged groups in the labour market, however, with the lowest chance of obtaining decent work, are people with disabilities, Roma and internally displaced people.

People with disabilities

While official data on people with disabilities in Serbia do not exist, their number is estimated at between 500 000 and 800 000. Research conducted by the Centre for the Development of an Inclusive Society reports that some 79% of them are unemployed. According to LSMS data, the employment rate for people with disabilities was only 26.9% in 2007. The inactivity rate was also very high, at 69%. Gender differences are notable: men with disabilities fare better in the labour market than women: the employment rate of men is 32.4% compared to 20.9% for women. The inactivity rate of women with disabilities is very high, at 75.1% compared to 63.3% for men (Dinkic, 2008).

In spite of the fact that the employment rate of people with disabilities is almost two times lower than the employment rate of the entire active population, only a small number of them register with the National Employment Service (21 773 people with disabilities were registered in 2010). ALMMs resulted in the employment of 208 people with disabilities (approximately 1% of all those registered). In 2007, a three-year tax exemption and contribution subsidy for companies employing the disabled was introduced for the first time but failed to make major improvements in employment for people with disabilities. The main reason rests with employer prejudices and their reluctance to invest in adapting the working environment (European Commission, 2008).

People with disabilities are currently employed mainly in specialist enterprises and sheltered workshops. The recently adopted (2009) Law on Vocational Rehabilitation of People with Disabilities introduces employment quotas for people with disabilities and financial penalties for non-compliance. New policies to stimulate the employment of people with disabilities are envisaged through a training centre attached to the National Employment Service and a number of ALMMs. The law is expected to improve the possibilities for including people with disabilities in the world of work in terms of status,

working capacity, inclusion in ALMMs and employment. To this end, affirmative actions will need to be coupled with a range of broader measures aimed at building accessible infrastructures, ensuring social services for independent living, introducing flexible forms of employment, etc. The government has made serious efforts in this regard through the establishment and the operation of two budget funds and through the Delivery of Improved Local Services project for 2009-12 financed by a loan from the World Bank-International Bank for Reconstruction and Development.

Roma population

Roma in Serbia are in a very unfavourable position in the labour market, mainly due to their low educational attainment and lack of skills but also because of discrimination by employers and negative stereotyping by mainstream society. A UNDP 2006 study reports that Roma in Serbia face unemployment rates that are more than twice that of the majority population (51% versus 21%). When working, only 12% of Roma have regular jobs (usually low-paid and temporary), while the majority are engaged in the informal sector. Their involvement in informal activities, often associated with low incomes, poor job quality and weak social protection, is over four times more widespread compared to the involvement of majority population (58% compared to 13%) (UNDP, 2006a).

Increasing participation of the Roma in the labour market is considered an employment priority and training programmes and grant schemes have been introduced to address their alarming situation. The government has allocated financial resources for the implementation of a National Roma Employment Plan and a Law against Discrimination adopted in March 2009. Despite the measures taken so far within the context of national policy (ALMMs, Poverty Reduction Strategy), EU policy (European Partnership and the Stabilisation and Association Agreement), and international policy (Decade for Roma Inclusion) aimed at improving access of Roma population to decent work, further concerted efforts are needed to reverse their current exclusion from the formal labour market.

4.4 TERRITORIAL COHESION

Territorial disparities in economic development and living standards

The regionalisation of Serbia remains unfinished and currently has mainly geographical connotations. The Constitution of Serbia recognizes the Autonomous Province of Vojvodina as a region and also Kosovo, currently under the United Nations Interim Administration Mission in Kosovo (UNMIK). The Law on Regional Development, adopted in 2009 and amended in April

2010, established five statistical regions in the territory of Serbia at the Nomenclature of Units for Territorial Statistics (NUTS) 2 level: Vojvodina; Belgrade; Šumadija and Western Serbia; Southern and Eastern Serbia; and Kosovo and Metohija. Administratively, Serbia is divided into 29 districts, corresponding to the NUTS 3 level and comprising several municipalities each.

Territorial disparities in Serbia are amongst the largest in Europe and have been increasing in recent years. The National Programme for European Integration acknowledges that regional discrepancy is an issue to be dealt with, as the difference between the most developed and the least developed districts is 7:1. The ratio between the most developed and the least developed municipalities in 2005 was 1:15 (Krstic, 2008). The poverty index in 2007 ranged from 3% in the urban area of Belgrade to 18.7% in the rural areas of south-east Serbia (**TABLE 4.2**).

Large regional discrepancies in poverty mirror the discrepancies in terms of the economic development of the regions. Belgrade is best positioned, central Serbia (without Belgrade) is the poorest region in Serbia and Vojvodina lies between these two extremes, with a poverty index slightly below the country's average (6.1% versus 6.6%, respectively). Apart from the traditionally underdeveloped southern Serbia region, new regions with low levels of economic development and poverty have emerged, namely, eastern Serbia, some parts of central Serbia and regional mining and industrial centres in western Serbia. Disparities have been intensified due to the closure of a number of large public companies, restructuring or privatisation, insufficient government response and as a result of a weak infrastructure hindering communication and mobility. Poverty is much more typical in rural areas than in urban areas (9.8% versus 4.3%), with depth and severity considerably higher than in urban areas (Krstic, 2008).

Ambitious strategy for regional cohesion

The Strategy for Regional Development of the Republic of Serbia 2007-12 has as its goal to reduce regional disproportions at the district level in terms of a development challenge index, from the current 1:7 to 1:3 by 2012. The new Law on Regional Development provides for the establishment of the National Agency for Regional Development. The government foresees modernisation of transport, energy and communal networks through subsidies and tax reduction measures, with the aim of enhancing the development of the regions that lag behind. In collaboration with local governments, the government plans to develop programmes aimed at fostering the development of four key clusters: automotive, electronics, information technology and telecommunications.

TABLES

TABLE 4.1 EDUCATION ENROLMENT FOR ROMA AND NON-ROMA, 2002/03

Enrolment rate (%)	Non-Roma population*	Refugees and internally displaced people	Roma population
Primary education	92	85	74
Secondary education	71	58	19
Tertiary education	10	6	1

* Domiciled non-Roma communities residing close to Roma.
Source: UNDP (2006b).

TABLE 4.2 POVERTY BY REGION, 2002 AND 2007

	Share of poor (%)		
	2002	2007	Change
Belgrade	10.8	3.1	-7.7
Urban	9.3	3.0	-6.3
Rural	17.2	3.3	-13.9
Vojvodina	12.4	6.1	-6.2
Urban	10.7	3.3	-7.4
Rural	14.5	9.9	-4.6
Central Serbia	16.2	8.4	-7.8
Urban	12.8	6.1	-6.8
Rural	19.1	10.7	-8.4
West Serbia	16.5	8.4	-8.1
Urban	15.8	4.0	-11.9
Rural	17.0	11.4	-5.5
Šumadija	13.8	3.7	-10.1
Urban	10.4	2.5	-7.8
Rural	17.1	4.9	-12.2
East Serbia	12.9	10.1	-2.8
Urban	11.8	11.2	-0.6
Rural	13.9	9.1	-4.8
South-east Serbia	21.2	13.3	-7.9
Urban	14.7	8.5	-6.1
Rural	27.2	18.7	-8.5
Total	14.0	6.6	-7.4

Source: SORS et al. (2008).

5. MAIN DONOR INTERVENTIONS IN HUMAN RESOURCES DEVELOPMENT

The main donor interventions in the field of human resources development are summarised below.

5.1 EDUCATION AND TRAINING

CARDS 2003-06 VET reform programmes

- 2003-09
- EUR 20 million

Three phases of technical assistance and equipment supplies, in support of capacity building to policy development of VET reform, development and implementation of new curricula, for 146 pilot schools in eight economic sectors, the training of teachers and instructors, the transformation of five vocational schools into regional training centres, the establishment of an innovation fund for schools, the upgrading of school infrastructures (equipment and other teaching aids plus rehabilitation of buildings).

IPA 2007 Modernisation of the VET system in Serbia

- 2009-11
- EUR 2.5 million

Improving governance of VET through the establishment of a VET council and VET agency and by strengthening social partnership at all levels; improving the national qualification system and supporting the introduction of modernised VET programmes; supporting the implementation of a quality assurance system for VET; developing continuing VET.

IPA 2008 Systemic development of elementary practice-based adult education in Serbia (second chance)

- 2010-12
- EUR 4.5 million

Establishing a system of functional elementary adult education in Serbia that is accessible and adaptable to the needs of adult learners and that focuses on life skills and competencies and is based on lifelong learning.

IPA 2008 Support for quality assurance within the national primary and secondary education examination system

- 2010-12
- EUR 2.0 million

Supporting the development and implementation of a quality assurance system for general education and VET, giving priority to the development of a national examination system and increasing the capacity of the Ministry of Education and other relevant institutions to implement this system.

IPA 2009 Improvement of preschool education in Serbia (IMPRES)

- Foreseen
- EUR 3.75 million

Strengthening preschool education for children, especially those from vulnerable groups, through improvements in the quality of preschool programmes and expansion of the capacities of preschool institutions.

IPA 2010 Higher education teaching infrastructure programme

- Foreseen
- EUR 25 million

Improving the quality of education and training in higher education institutions as demanded by the new knowledge-based society, modern learning processes, standards of industrial research and emerging labour market needs.

European Investment Bank

- EUR 25 million

Loan to improve school buildings in 2007, with another loan of EUR 50 million for this purpose in preparation.

World Bank Education improvement programme

- 2006-08
- EUR 7.1 million

Modernising the education system including the development of an education management information system.

World Bank Delivery of improved local services

- 2009-12
- EUR 46.4 million (for all sectors)

Assisting the government to increase the capacity of institutional actors in order to improve education and social protection services in a decentralising environment, to be achieved as follows: helping develop an efficient

public financing framework to compensate for inequalities across municipalities; improving outreach and access through innovation in social service delivery; providing support for new roles for state level ministries; and capacity building amongst local governments and other local service providers.

Bilateral donors

Among the main bilateral donors, the German Agency for Technical Cooperation (GTZ) assists VET in the area of economics, KulturKontakt Austria in developing skills in tourism and virtual companies, and the Swiss Agency for Development and Cooperation in supporting a new network of regional centres for the professional development of teachers.

5.2 EMPLOYMENT

CARDS 2006 Support to the development of national employment policy and modernisation of the National Employment Service

- 2007-09
- EUR 3.0 million

Twinning project to build the capacity of the Serbian National Employment Service and technical assistance project developing ALMMs through training unemployed people.

IPA 2008 Enhancing the data management, forecasting and monitoring and evaluation capacities of the National Employment Service

- 2010-12
- EUR 1.25 million

Improving the performance of the National Employment Service in the areas of labour market trends forecasting and monitoring and evaluation of ALMMs, capacity building measures for relevant stakeholders, implementation of software solutions covering the above areas and ICT equipment supply.

Employment promotion project

- 2003-06
- EUR 3.4 million

Funded by the World Bank and the UK Department for International Development, the project established 13 transition centres, staff training centre in the ministry was established, four clusters were formed and eight job clubs were opened.

Serbian labour market institutional capacity building

- 2004-07
- EUR 1.7 million

Funded by the Swedish International Development Cooperation Agency, the project was aimed at building

the Serbian National Employment Service capacities, and implementation of ALMPs through an ALMP fund in pilot towns.

Job severance

- 2007-09
- EUR 2.0 million

Funded by the Austrian Development Agency, the project was aimed at re-employing redundant workers by investing their severance pay in new jobs.

Youth employment promotion

- 2007-10
- EUR 0.9 million

Funded by the Italian government and implemented with the support of the International Labour Organisation, the project aimed at building the capacity of Serbian labour market institutions for design and implementation of youth employment policies.

Support to national efforts for the promotion of youth employment and management of migration

- 2009-11
- EUR 4.6 million

Funded by the Spanish MDG Fund and implemented with the support of the ILO, the UNDP, the International Organisation for Migration and UNICEF, the envisaged project results are: youth employment and migration policy objectives included in the national development strategy; national institutions developed integrated labour market and social services targeting disadvantaged young people; and integrated employment programmes and social services for young returnees and other disadvantaged young people are implemented in three districts.

5.3 SOCIAL INCLUSION

IPA 2008 Education for All – Increasing the availability and quality of education for children from marginalised groups

- 2010-12
- EUR 1.8 million

Increasing the inclusion of children from marginalised and special needs groups in the system of preschool and elementary education by enhancing policy making and implementation capacities, empowering relevant pedagogical groups and increasing public awareness.

IPA 2008 Fostering social inclusion by strengthening institutions that provide community-based social protection services

- 2010-12
- EUR 5.5 million

Reducing the number of children with disabilities placed in large-scale residential institutions by supporting and strengthening local community-based services that foster the employment of vulnerable categories of young people and women.

IPA 2009 Supporting access to rights, employment and livelihood enhancement for refugees and internally displaced people in Serbia

- Foreseen
- EUR 13.8 million

Development of local social inclusion initiatives for internally displaced people and neighbourhood enhancement for the most vulnerable internally displaced and refugee families.

IPA 2010 Multi-beneficiary regional initiative for Roma integration

- Foreseen
- EUR 3.3 million

Improving the quality of life and access to human rights of the Roma, Ashkali and Egyptian (RAE) communities in the Western Balkans.

Strengthening capacity for inclusive local development in southern Serbia

- 2009-12
- EUR 5.4 million

Funded by the governments of Sweden, Switzerland, Norway and the UNDP, the project aims at stronger, more integrated communities in southern Serbia, better able to reduce inter-ethnic tensions and conflict risk; more equitable and improved access to public services and welfare benefits; increased economic prosperity of the region; and reduced discrepancies in wealth and employment between ethnic groups, and with other parts of the country.

6. MEDIUM-TERM CHALLENGES

Human capital development reform

The foundation for discussions and stipulations about human capital development reform in Serbia is still informed by an understanding based on a predominantly education logic. This is probably due to the fact that the tradition in the former Yugoslavia was to organise secondary education as broad youth education (like in Sweden) and provide what was called professionally-oriented upper secondary education for post-15 or 16-year-old students; this blurred the line between the general and vocational strands in the structure. This is noticeable in discussions with policymakers and key stakeholders and is reflected, for instance, in the composition of the new VET and Adult Education Council, where trade unions are represented by a single individual, from the teacher's trade union.

EU VET and employment policies are based on the need for human capital development strategies. The inability of the relatively high-cost economies of the advanced nations – and this increasingly includes Serbia – to compete with much lower cost economies elsewhere has resulted in an enhanced emphasis on human capital development to acquire competitive advantage. Within human capital development theory, education policy is raised to the level of economic policy, as investments in skills through education and training is seen as the key to competitiveness in a globalised market. Schools and teachers are increasingly pressured by the need to ensure that outputs are functional to the economy and this pressure raises key questions about the curriculum, the organisation of teaching and learning and the assessment of learning outcomes. What is taught and who decides this are suddenly not only technical issues requiring technical solutions: they are profoundly economic and political questions.

This understanding of the urgency of human capital development imperative needs to be better articulated among policymakers and key stakeholders in Serbia. A sharper focus should be set on competitiveness under conditions of social inclusion, as formulated in the Lisbon Agenda, with investment in skills probably leading to an expansion of public education. The fact that education policy is becoming ever more closely linked to economic policy, with strategic human capital development seen as central to ensuring competitiveness in a global economy, calls for more concerted action from the Ministry of Education and the Ministry of Economy and Regional Development. This is the challenge in upcoming reforms in Serbia.

Policy-driven reform strategy

VET reform in Serbia has been strongly influenced by foreign donor interventions. A large number of policy papers and action plans have been developed through

external projects and delivered by foreign technical assistance; however, after technical assistance ends, implementation is weak. The country has been exposed to a whole range of modern concepts and good practice but at the risk of fragmentation, with a lack of national ownership and with no guarantees of sustainability. Pilot projects can certainly help stimulate development but they require a great national effort to become implemented at the systemic level.

To ensure coherent and consistent systemic reform, national policies, strategies and operational levels need to play a driving role in change. A policy-driven reform strategy is now needed to take forward the recently developed VET and labour market building blocks of reform. A considerable challenge for Serbia is to ensure the embeddedness of VET reform elements in existing national structures and practices. There is a risk that results will not be sustained unless national capacities, in the Ministry of Education and the VET Centre, regarding the formulation of policies and their implementation are not strengthened. There is a need to consolidate what has been learned, to accumulate available knowledge and to transfer useful pilot experiences at the systemic level. Good examples which could be taken forward immediately are school principals' training, quality assurance, and curriculum development principles. The core of these components could also be cascaded to other sectors of the education system, e.g. primary and general secondary education.

Role of teacher trade unions

It appears that the teacher trade unions set some limits on how far the country can go with VET reform. Across the world teachers are highly unionised, often the most unionised of all economic sectors, seeking to balance a commitment to professional concerns with a similar commitment to bread-and-butter concerns of pay and conditions.

However, it seems that too little attention has been paid in Serbia to really trying to get the teacher trade unions onboard, including in the many foreign donor-driven projects of the last decade. The reality is that little will change in classrooms and school workshops if teachers are not fully committed to change. It would be a more promising change strategy in Serbia to engage teacher unions in a discourse relating to their professionalism and the professional status of teachers. A new focus could be placed on how teacher unions seek to shape education policy and how teacher unions are themselves shaped by policy. Teacher professionalisation strategies could be the basis for union renewal by making teachers not only professionals in, but key stakeholders of, VET reform. Social partnership arrangements at different levels could lead to a stronger emphasis on interest-based bargaining where unions and employers seek ways to identify

common issues in what are viewed as commonly shared problems; this could lead to a growing emphasis on including professional issues in the bargaining agenda. Without the teachers and their unions, VET reform seems to be blocked. Teacher professionalisation strategies, on the other hand, could act as a vertical and horizontal learning network for innovation and creativity.

Fragmentation of curricula

A key challenge is the existing fragmentation of VET curricula in Serbia. Curriculum development has been a cornerstone of CARDS and IPA VET reform efforts but has only encompassed selected programmes delivered in pilot schools. A number of programmes and maybe up to half the vocational schools have not been involved in any reform activity. New curricula were not evaluated before generalisation. The renewal of VET programmes suffers from insufficient mediation by overly weak social partners. New profiles will have to be identified, at the outset of the curriculum development process, through mechanisms other than social partnership. A more research-based foundation for the ongoing articulation of emerging labour market needs appears to be necessary in Serbia. The establishment of an efficient labour market prognosis mechanism, centred in universities and perhaps stimulated by state grants is recommended.

Following on from the Law on Education System Fundamentals, the new policy of implementing new VET curricula in all programmes all over the country from September 2011 is a step in the right direction, despite severe barriers in terms of equipment and lack of staff preparation. The pilot phase, which has gone on for seven years without proper evaluation and consolidated policy learning, has failed in terms of sufficient systemic impact. The challenge remains to transcend the pilot project level and move towards solutions based on national policy priorities. A new policy emphasis could be taken as an opportunity to carry out a proper assessment of the content of the general subjects in the reformed VET curricula, some of which may not be fully satisfactory as far as the National Education Council is concerned.

Key competences

Matching new skills and new jobs is not easy in Serbia. It is difficult for experts to prognosticate growth sectors (the preference for agriculture and tourism as future growth sectors is not well argued) and the best approach is to develop skills across the board. It is recommended to avoid designing overly narrow technical-vocational skills training but, instead, to broaden VET curricula and to open up training for a number of key competences in VET curricula. However, this is not only a curriculum issue but depends even more on how learning is organised in classrooms and workshops and, in turn, on continuous professional development for vocational teachers – remarkably lacking in Serbia and carried out almost exclusively under donor-financed projects.

In-service vocational teacher training

In-service teacher training for vocational teachers needs fundamental reforms. There is much too little such training

available and what is available is not always relevant. Training is based on an annual catalogue of courses offered to schools, a programme which is designed top-down, often by academics. It is recommended that the whole process be changed, starting with an analysis at vocational school level, i.e. assessing training needs by asking school principals and teachers what they need, analysing why they need it and deciding how best, when and under which form continuing professional development of teachers should take place. This would be much more relevant, efficient and even less costly, as training could often take place in individual schools targeting a team of teachers. Teacher training is and needs to be part of the curriculum reform process. It is not optimal that in-service teacher training is separated from curriculum development and implementation, as is the case at present. A more organic and education sector-based approach could capitalise on the simultaneous introduction of new curricular content, a broadening of teaching and learning repertoires and competence development for teachers. It could also lead to a more systematic and continuous accumulation of knowledge in the specialised VET centre under the Institute of Education.

Adult learning

There is a huge need for national investment in adult learning in Serbia, both in work-related continuing training and in general adult education. Lifelong learning is under discussion but in more rhetorical than practical terms. Due to its acute needs in this area, Serbia might capitalise on not perceiving lifelong learning as a coherent system but on focusing primarily on access to learning for all. This is really about opening up all kinds and forms of education and learning opportunities. Much better advantage should be taken of the successful experience of transforming five vocational schools into adult training centres, implemented under the CARDS programme, and more such centres should be opened as soon as possible. These and other centres, such as the new centres for professional development mentioned in Section 2.5, could form a network for exchanging good practice. The experience from Zrenjanin vocational school shows that, while schools are ready and able to serve local/regional employers by creating short courses on demand, the effort required to build up national regulation of such courses is a serious impediment for the schools. It is recommended that policy directives be changed so as to nurture a culture where schools are oriented more horizontally to local labour markets and less vertically to the Ministry of Education as regards the supply of demand-led training for adults. This could unleash an entrepreneurial spirit in the more dynamic vocational schools.

Career guidance and counselling

The career guidance system in Serbia has a good basic foundation and has made good progress in recent years. At the same time, Serbia also faces challenges in career guidance development, which need to be addressed in the short- and medium-term, as follows:

- managing the successful implementation of the ambitious policy goals established by the new Career

Guidance and Counselling Strategy and the corresponding Action Plan (Government of Serbia, 2010);

- shifting the career guidance system towards a lifelong guidance paradigm;
- building stronger career guidance services in the education sector;
- introducing a comprehensive national career information system;
- improving the quality and effectiveness of career guidance services.

The career guidance system is a responsibility shared between the education and labour market systems. The National Employment Service plays an important role here and should continue to do so. However, career guidance should not only be offered to unemployed people but to a much wider range of target groups (pupils, students, job changers, etc.). Consequently, there should be various tiers that should be suitably coordinated.

VET and labour market links

Although the transition from a planned economy to a market economy is almost complete, a high rate of unemployment, particularly among secondary school graduates, reveals that the outcomes of the education and training system do not correspond with the needs of the labour market.

As integration into the global economy rapidly changes the skills required in the new Serbian economy, a new signalling system that matches skills demand and supply needs to be developed. At present there is no mechanism that monitors and anticipates skills demand in the labour market. Skills needs analysis at the national and local levels are only conducted in donor-led activities. This reduces the capacity of the VET system to respond adequately to the needs of the labour market.

Informal employment

Informal employment is the outcome of (i) low job creation in the formal economy that leads individuals to low value-added activities in the agricultural and non-agricultural sectors; and (ii) the practice of economic units (firms and employees alike) to evade legal obligations imposed by the state, such as taxes and social security contributions. In both cases, the quality of jobs created and the protection of workers against labour market risks is low. Formally employed people enjoy job protection and social benefits, whereas informally employed individuals have precarious jobs and no social rights. Although informal employment has recently declined, informality is still very high and this creates a polarised labour market that disfavors the informally employed. The informal economy and informal employment represent considerable challenges for the Serbian economy and labour market.

High and growing youth unemployment

Youth unemployment, at the rate of four out of ten young people, is a serious labour market challenge that needs to

be tackled. Transition from school to work for first-time job seekers is the most significant problem. Furthermore, it is evident that there is a direct correlation between education attainment levels and youth employment. The challenge for young people in the labour market, apart from the low job creation capacity of the economy itself, needs first to be thoroughly analysed, with special emphasis on the link between the labour market and education. Secondly, the education levels of young people need to be increased. For this reason, it is also urgent (i) to reduce early school leaving and dropout rates in education (the reformed VET programmes delivered under the CARDS and IPA programmes need to be generalised in Serbia as they provide better and more adequate skills and are better directed to the demands of the economy); and (ii) to provide for training measures for young people who have already left the education system without a qualification.

Low female labour market participation

The labour force participation rate of women has been in decline since transition began. Inactivity among women is also increasing. It is apparent that women previously employed in the agricultural sector who migrate from rural to urban areas do not have the skills required by the new economy. An important ALMM, therefore, would be the up- and re-skilling of women migrants from rural areas. Additionally, increasing the female labour force participation rate is also directly dependent on access to care centres for children, the elderly and people with disabilities at a reasonable cost.

Inadequate job creation and high level of vulnerable employment

The job creation capacity of the private sector has been low since the first years of the transition process. Foreign direct investment was considered to provide the basis for the generation of new jobs in the labour market. However, it is self-employment which has generated most jobs in the labour market, particularly in the second half of the last decade. On the other hand, self-employment is generally considered by many people to be a last resort, even though it actually constitutes an important segment of the labour market. Incentives aimed at ensuring the sustainability of self-employment is an issue which requires special attention. Access to finance and sufficient support in terms of training and resources are other challenges faced by the self-employed. Furthermore, Serbia has committed itself to supporting SME development since the initial phase of the transition process. Although positive developments have been recorded in terms of the creation of new SMEs and employment in the sector, stagnation is evident in recent years. Further efforts need to be made regarding both the creation of new SMEs and the expansion, reinforcement and growth of existing SMEs, thereby ensuring that the sector has a more substantial impact on employment creation.

Regional discrepancies

During transition, some rural areas were depopulated due to a lack of jobs. The government tried to reverse this

trend by making local employment one of the priorities of the National Employment Strategy. It also produced several strategies and action plans for combating unemployment at the local level, including the establishment of local employment councils, and launched ALMMs and subsidy schemes in underdeveloped areas. However, Serbian National Employment Service reports (NES, 2010) show that there is still a huge discrepancy in terms of employment opportunities in Belgrade and Vojvodina and in the rest of the country.

Social inclusion

After a period of relatively high living standards and social homogeneity during the Yugoslav era, Serbia today faces severe poverty, deep social inequalities and social exclusion (with the risk of segregation in some areas) as a result of war conflicts, economic instability, political isolation and a limited national capacity to cope with the challenges and consequences of transition. Economically vulnerable and excluded groups – in particular the unemployed, the uneducated, households with more than two children, the elderly, Roma, internally displaced people, people with disabilities, people in rural areas, people living in central and south Serbia and the 'new poor' (i.e. people affected by the adverse consequences of economic restructuring) – cover a very wide spectrum of society and consist of large portions of the population. Serbian society has undergone a process of radical transformations that have changed its structure and sharpened inequalities and disparities. Being aware that social equity and justice serve as both an objective and a prerequisite for ongoing reforms, Serbia is making serious efforts to find its way towards better social cohesion

through education and labour market policies and balanced regional development. The main challenges in this regard appear to be the following:

- discrimination, prejudice and stereotypes towards certain vulnerable groups (Roma, people with disabilities);
- practices and institutional settings inherited from the past that are based on and lead to segregation, namely, education of children with developmental disabilities in special schools, residential/institutional social care, employment of people with disabilities in sheltered workshops, etc.;
- limited capacity at both the central and local levels for implementing desegregated, inclusive approaches in education, training and employment;
- the need to mitigate the impact of the current economic crisis on the most vulnerable groups.

Social dialogue

The contribution of all players (state, employers and employees) to the development and implementation of policies that support employment at the national and local levels has been recognised in Serbia since the beginning of the transition process. Efforts have been made, through the establishment of the Social and Economic Council and local employment councils to create platforms for exchange and negotiation. However, more efforts need to be invested so as to enhance the capacity of employer associations and trade unions to contribute to the debate and develop innovative ideas for supporting job creation.

7. RECOMMENDATIONS

The recommendations presented here follow on from the analyses of issues carried out in Chapters 1 to 4 and the discussion on challenges in Chapter 6. The formulation of specific recommendations is a result of prioritisation, with the most important gaps and barriers to be overcome in order to develop a solid basis for continuing human resources development in Serbia highlighted.

The recommendations are formulated in terms of options for policymakers rather than as a concrete to-do list. They are therefore relatively broad and intentionally not overly specific. They point out areas requiring attention in Serbia. It is, in our opinion, a prerogative of Serbian policymakers and stakeholders to take policy options forward into policy measures, remembering that there are many ways to achieve the same goal.

The presentation of recommendations starts with some cross-sectoral, horizontal recommendations and then follows the logic of the report: education and training, labour market issues and social inclusion policies in that order. However, the genuinely challenging issues of reform are often found on the borderline between different sectors of society, particularly between the signalling systems of the worlds of work and education. We have tried to overcome this challenge by placing such interlinked recommendations where they seem most logical.

7.1 HORIZONTAL AND CROSS-SECTORAL

- Build the capacity of institutions at the national level to develop evidence-based policies and to systematically conduct monitoring and evaluation of systems as a basis for new policy.
- Strengthen the statistical database for efficient policy making and assessment in education, labour market policy and social inclusion.
- Establish a broad governance model with clear roles for social partners and the expertise community in designing, implementing and assessing education, training and labour market policies.
- Ensure greater coherence between sector policies to enable integrated policy and overarching data analysis.

7.2 EDUCATION AND TRAINING

Strengthen education and labour market links

- Develop a demand-driven VET and higher education system.
- Involve social partners and academic expertise from the fields of education and the labour market in the

design and implementation of VET and higher education policies.

- Establish a mechanism for the evaluation and monitoring of VET and higher education that responds to the needs of labour market.

Broaden focus by taking full account of human resources development

- Base education reform at all levels and sectors on integrated policy and action plans and research results.
- Remove horizontal and vertical education barriers and establish easier pathways by strengthening efforts to build up an NQF.
- Enable access to adult learning by deregulating and encouraging schools and stimulate demand by providing incentives to learners and companies.
- Develop training provision for functional basic education of adults.
- Improve the weak links existing between formal and non-formal education.

Modernise learning programmes

- Monitor, evaluate and transfer pilot experience to the systemic level and avoid too many new pilot projects.
- Set up mechanisms to assess the labour market qualification needs on which new programmes can be built.
- Broaden curricula to include key competences and develop arrangements for practical training in VET.
- Stimulate lifelong learning through a system of certification, accreditation and recognition of prior learning.

Enhance professional development

- Develop teacher and school leader professionalism and support the development of vocational teacher educators.
- Create horizontal learning networks to optimise the impact of positive practice from projects.
- Make in-service training of vocational teachers more demand-driven and provide it in schools.
- Strengthen strategic school development by creating a programme for school principal training.

Build capacities and partnerships

- Develop national VET governance and support structures.
- Optimise the schools network in order to achieving better quality, efficiency and effectiveness.
- Support partnerships at different levels, including the local level.
- Engage teacher trade unions, in their roles as professionals and stakeholders, in co-designing education policy.

7.3 EMPLOYMENT

Combat youth unemployment with comprehensive and coordinated actions

- Ensure early intervention and place greater focus on the transition from school to work.
- Build on the experience of the 2009 First Chance apprenticeship programme by subsidising young unemployed people's wages.
- Design and implement internships and targeted and monitored first-job programmes.
- Provide special support for young people without qualifications through training programmes that build on their employability and improve their labour market chances.

Implement a fully fledged career guidance and counselling system

- Strengthen the implementation of policy goals in the Career Guidance and Counselling Strategy and Action Plan formulated by the government in 2010.
- Build stronger career guidance services in education with efficient links to the National Employment Service.
- Offer career guidance services not only to unemployed people but to a much wider range of target groups (pupils, students, job changers, etc.).

Increase the female employment rate

- Develop, implement and monitor gender mainstreaming approaches at all levels and for all programmes.
- Develop, implement and monitor specific labour market promotion measures for women, taking into account the different needs and obstacles for employment of different groups of women (rural, urban, women with home care responsibilities, low skilled and higher educated women).
- Strengthen activation measures for women and ensure their participation in ALMMs.

Develop better targeted and strategic activation measures

- Introduce result-based management as a key principle for all ALMMs, with the placement rate in gainful jobs being the ultimate goal, and strictly assess performance against this target (Note that this requires a good labour market information system, a solid database and tracing and monitoring systems).
- Increase labour market training, but in close cooperation with employers.
- Evaluate and eventually revise and target wage subsidy schemes, avoiding deadweight effects by ensuring more control of beneficiaries.

- Introduce and closely monitor a system of jobseeker rights and obligations (This also requires a good labour market information system and a solid database).

Optimise job brokering and the placement and referral system

- Continuously improve job search support.
- Enhance the capacity of the National Employment Service in job matching through continuous training of staff in the provision of better services to the unemployed and broader coverage.
- Maintain and improve communication with employers and optimise canvassing of vacancies.

Combat informal employment

- Strengthen labour inspection measures to combat informal employment, starting with soft instruments such as information and consultation with employers and employees.
- Introduce employer controls based on information from the social security system and the tax authorities.
- Intensify social dialogue mechanisms aimed at combating informal employment.

Create jobs

- Support SMEs through counselling services, training needs analysis, incentives for staff training and job creation, managerial training and access to finance.
- Provide comprehensive services aimed at making self-employment more sustainable and offer support packages including counselling, entrepreneurial training and micro-credits directed particularly at young people.
- Make feasibility checks of self-employment plans to avoid poverty traps and provide coherent support with advice, counselling, training and micro-credits.

Strengthen labour market institutions and social dialogue

- Strengthen the analytical capacities of the Ministry of Economy and Regional Development and develop National Employment Service staff capacity for better provision of services.
- Establish a sustained social dialogue mechanism at the national and local level by strengthening the Economic and Social Council and local employment councils so as to generate ideas and address issues related to employment, economic development and education.
- Outsource when capacity is not sufficient to provide training or retraining for unemployed people. (This must be based on public procurement capacities, which first need to be developed.)

7.4 SOCIAL INCLUSION

Increase the participation of vulnerable groups in quality education and training and in decent employment

- Launch awareness-raising and anti-discrimination campaigns, reduce school and workplace stereotypes and discrimination and create and disseminate positive role models in vulnerable communities.
- Provide financial and good practice incentives to involve the private sector in opening up employment opportunities for disadvantaged groups and support self-employment and business start-ups.
- Streamline inclusive education measures and provide targeted training from preschool to higher education for all interested parties, while ensuring adequate monitoring and evaluation.
- Increase support for the employment of people with disabilities and implement measures for long-term unemployed people from vulnerable groups.

Develop area-based approaches to social inclusion

- Explore the spatial dimensions of exclusion and ensure prioritisation of disadvantaged regions with a

special focus on cross-sectoral educational, economic, social and employment actions.

- Improve and implement local plans and the development of community-based services.
- Encourage social innovation (through the Social Innovation Fund and other channels) while strengthening the capacities of local government in local needs assessment and the development of locally targeted social inclusion policy measures.
- Ensure sustainability of services and good practice in the domain of social innovation by strengthening systemic support.
- Integrate education, healthcare and social policy measures aimed at more efficient service provision.

Create the basic conditions for socially inclusive measures

- Promote the targeting of financial assistance alongside the reinforcement of active inclusion measures.
- Strengthen the social skills of vulnerable groups and empower them as a prerequisite for further social and labour market activation.
- Promote employment models for vulnerable categories through the provision of social care services.

ANNEX EU BENCHMARKS

TABLE A.1 MACROECONOMIC INDICATORS FOR IPA COUNTRIES AND EU BENCHMARKS 2008

	EU-27 2008	Albania 2008	Montenegro 2008	Serbia 2008	Croatia 2008	Macedonia (FYR) 2008	Turkey 2008
Nominal GDP per capita (EUR)	25,100	2,800	5,600	4,900	10,800	3,300	7,000
Real GDP growth rate	0.7	6.0	8.1	1.2	2.4	4.9 (f)	0.4
as % of GDP							
Share of agriculture	1.8	20.8	8.8	13.0*	6.4	11.6	8.5
Share of industry	26.4	19.6	17.8	28.4*	38.5	29.8	27.2
Share of services	71.8	59.6	73.4	58.6*	55.1	58.6	64.3

(f) = forecast; (*) 2007.

Sources: Eurostat online database for EU-27, Croatia, the former Yugoslav Republic of Macedonia and Turkey; and World Bank WDI for Albania, Montenegro and Serbia.

TABLE A.2 EDUCATION INDICATORS FOR IPA COUNTRIES AND EU BENCHMARKS 2008

%	EU-27 2008	EU 2010 goal	EU 2020 goal	Albania 2008	Montenegro 2008	Serbia 2008	Croatia 2008	Macedonia (FYR) 2008	Turkey 2008
Early school leavers Aged 18-24 with at most lower secondary education (ISCED 2) and not in further education or training^a	14.9	10	10	39.0	15.5 (M)* 9.2 (F)*	10.0	3.7	19.6	45.5
Youth educational attainment Aged 20-24 having completed at least ISCED 3 level^b	78.5	85		47.6		88.0	95.4	79.7	47.8
Yearly growth in tertiary education Graduates in maths, science and technology 2000-07^c	4.2	15					5.1	3.4	6.7
Pupils with low reading literacy level 1 or below (PISA) 2006^d	24.1	17	15		56.3		21.5	60.0**	32.2
Lifelong learning Aged 25-64 participating in education and training^e	9.5	12.6	15	2.0		3.0	2.2	2.5	1.8

(M) = males; (F) = females; (*) 2009; (**) 2000.

Sources: (a) Eurostat Structural Indicators; for Albania: LFS; for Montenegro: UNDP, 2009; (b) Eurostat Structural Indicators; for Albania: LFS; (c) European Commission, 2009a; (d) European Commission, 2009a; for Montenegro: OECD on line database; (e) European Commission, 2009a; for Serbia: Eurostat – Sustainable Development Indicators; for Albania: LFS.

TABLE A.3 LABOUR MARKET INDICATORS FOR IPA COUNTRIES AND EU BENCHMARKS 2009

%	EU-27 2009	EU 2010 objectives	Albania 2008	Montenegro 2009	Serbia 2009	Croatia 2009	Macedonia (FYR) 2009	Turkey 2009
Employment rate 15-64^a	64.6	70	53.8	48.8	50.0	56.6	43.3	44.3
Female employment rate 15-64^a	58.2	60	45.6	41.6	39.3	51.0	33.5	24.2
Employment rate of older workers 55-64^a	46.0	50	44.0	35.6	35.0	38.4	34.6	28.2
Employment in agriculture¹ (% of total)	4.6		44.7	6.5	24.0	11.0	18.5	21.6
Unemployment rate 15+^a	9.3		13.0 (15-64)	19.1	19.7	9.3	32.4	11.8
Female unemployment rate 15+^a	9.2		13.7 (15-64)	20.5	18.4	10.8	32.1	11.8
Youth unemployment rate 15-24^a	20.3		27.2	35.6	42.5	25.9	56.6	22.2
Unemployment rate of the elder workforce 55-64^a	9.9		8.2	10.1	10.0	9.3	32.3	12.8
Total long-term unemployment rate^{2, b}	3.0		8.6	15.6	5.7	5.2	26.2	2.3

(1) Agriculture, forestry and fishing; (2) Long-term unemployed (12 months and more) as a percentage of the total active population.

Sources: (a) EU-27, Croatia, the former Yugoslav Republic of Macedonia and Turkey: Eurostat databases; Albania, Montenegro and Serbia: LFS;

(b) EU-27, Croatia, the former Yugoslav Republic of Macedonia, Kosovo and Turkey: Eurostat databases; Montenegro and Serbia: LFS; Albania: National Institute of Statistics.

ACRONYMS

ALMM	active labour market measure
ALMP	active labour market policy
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
ECTS	European Credit Transfer and Accumulation System
ESPI	Economic and Social Policy Institute
ETF	European Training Foundation
EU	European Union
EUR	euro (EU currency)
Eurostat	Statistical Office of the European Union
GDP	gross domestic product
GTZ	Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation)
ICT	information and communication technology
ILO	International Labour Organisation
IPA	Instrument for Pre-Accession Assistance
ISCED	International Standard Classification of Education
LFS	labour force survey
LSMS	Living Standards Measurement Study
NGO	non-governmental organisation
NQF	National Qualifications Framework
OECD	Organisation for Economic Cooperation and Development
PISA	Programme for International Student Assessment
RSD	Serbian dinar (currency)
SME	small and medium-sized enterprise
SORS	Statistical Office of the Republic of Serbia
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VET	vocational education and training

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