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Annual Review 2010 on Labour Relations and Social Dialogue in South East Europe:

Serbia

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1. Executive summary

In the transition period up to 2010, Serbia has achieved a notable progress in real and financial sector reforms, but is lagging behind in respect of the general government reforms. The global economic crisis caused a slowdown in the implementation of economic reforms in 2010. Serbia has faced a serious fiscal problem, as the economic slowdown caused a substantial decline in the government's fiscal revenues, the rate of unemployment rose to 20.1%. The real GDP growth in 2010 slowed down in all economic sectors except agriculture. Serbia's inflation was 10.3 percent in 2010, and it

was higher than the average in the Western Balkans, dinar was very much depreciated, and the situation did not stabilize by the end of the year. The Comparative Analysis of Competitiveness¹ places Serbia at 96 position from 139 countries, and the Index of Economic Freedom² places Serbia at 101 position from 179 countries, which is beyond the world average.

Concerning social dialog and industrial relations issues, according to the WEF report, within the efficiency pillar, assessment of cooperation between employers and employees is unchanged: Serbia did not managed to improve it and so was ranked only as 135th. The aggregate effect of crisis management measures depends to a considerable extent on the implementation and results of national and sectoral social dialogue. As demonstrated in numerous documents and recommendations from the ITUC, the ETUC and the ILO, as well as in the declaration issued by the G-20 Summit³, the anti-crisis measures and exit strategies must be the subject of consultation with the social partners at the national level. This recommendation has not been realized in two basic conditions in Serbia in 2010: first, there was no higher political will and a spirit of partnership among the negotiating parties (government, trade unions, and employers) with the more active involvement of organized groups in civil society. Second, there was not intensive preparation on the part of the social partners and their experts to negotiate professionally and engage in responsible dialogue. Over the medium term, various measures are under discussion that should lead to cuts in public expenditure, including such drastic measures such as the transfer of the profits of all public enterprises to the government budget. The pension system, being the largest single programme of government expenditure, is starting to be reformed; the financial situation has also improved at the end of 2010 thanks to a special agreement with the foreign banks operating in Serbia, and the IMF financial support for the Serbian government's economic programme.

2. Socio-economic development

The total economic activity of the Republic of Serbia in 2010, measured by the Gross domestic product and expressed at constant prices of 2002, increased by 1.5% in comparison to the previous year. Observed by activities, the top gross value added increase was noted in the following sectors: transport, storage and communications, financial intermediation and industry. The top gross value added decrease was noted for the following sectors: construction, agriculture, hotels and restaurants, governmental and other services. Industrial production increased by 3.0% in 2010. Such increase was mainly caused by the increase in the sector of manufacturing, and mining and quarrying. It was estimated that the agricultural production noted a fall of 1.7% in 2010.

A positive trend of export growth was registered by 20.3% in comparison with the same period in 2009, which is primarily a result of the export of products of ferrous and non-ferrous metallurgy and agricultural products. The coverage of imports by exports is 57.2% and it is higher than in the same period in 2009 when it equalled 51.2%. The physical volume of industrial output relative to the same period in 2009 was up by 4.7%, and it was recorded in two industrial sectors: Manufacturing, by 5.8%, and Mining and quarrying, by 13.6%, while a fall was registered in the sector of Electricity, gas and water supply, of 2.2%. Agriculture and the countryside as such, nowadays have an important role in the overall economic development of Serbia; they generate substantial foreign currency inflow from exports, and have a significant impact on the diminishing of effects of the global economic crisis.

¹ Source: The WEF Report 2010

² Source: The Heritage Foundation Report 2011

³ Source: G-20 Summit, Pittsburgh (September 2009),

The total number of the employed people in Serbia in 2010 was 2.540 million. /Employment by sector (September 2010) was: Tertiary: 48.7%, Secondary: 27.2%, Primary: 24.1%. Total labour force: 3.26 Million, 0.6 Million in grey jobs. / . The problem of large unemployment, which has not been resolved since the pre-transition period, has been even more noticeable because of the continual process of property transformation, restructuring of companies, and the crisis in 2010. The rate of unemployment rose to 20.1% in 2010 and 729,520 unemployed persons, with an unfavourable structure – shares of long-term unemployed, persons in search of their first job, the young, the unskilled, and women are high in total unemployment. In addition, the skills gap grows, and this problem will be more obvious in the coming year. Average monthly gross salary: US\$ 590.0. Average monthly net salary (tax, medicare and retirement subtracted): US\$ 421.79. Average pension in Jan-Jul 2010 amounted to 19,841 dinars; it is down in real terms by 3.7% compared to the same period in 2009. Inflation, as measured by the Consumer Price Index, in 2010 equalled 10.3%, over the targeted rate of (6%+ 2%). Foreign currency reserves of the NBS at the end of August 2010 equalled EUR 10.0bn and compared to December 2009 they fell by EUR 2.0bn (16.8%). External debt accounted for 78.1% of GDP and according to this indicator of the World Bank, Serbia is among highly indebted countries (the upper limit of high indebtedness is 80% of GDP). In 2010 33 companies were privatized, and privatization revenues of EUR 13.0 Million were generated. Comparative Analysis of Competitiveness shows that Serbia is below the average of Western Balkan countries in: higher education and training, financial market development, goods market efficiency, labour market efficiency is less effective than last year. The attained high value of the HDI index in Serbia in 2008 (0.831 – the RDB estimate), however, distorts the real social landscape of the country. Serbia is on the 60th position according to HD Report 2010. A high percentage of the population is either on the verge of or in the poverty zone (8, 9% or about 650,000 citizens)⁴.

3. Governmental policies and legislation

The Government of the Republic of Serbia has adopted the Program of Measures for Neutralizing Negative Effects of the Global Economic Crisis for 2010 which represents the continuation of realization of 2009 measures. The major objective of the Program in times of the crisis is to preserve jobs and create opportunities for the new ones, as well as to achieve a moderate economic growth.

By October 4th, EUR 1,097bn was distributed for liquidity and investments through this Program. Loans for liquidity to the amount of EUR 961.7m were approved to 13,406 enterprises. In total, 1,144 investment loans were approved with the sum of EUR 135.5m. The package of subsidized cash loans for households in dinars (cash and consumer loans) was adopted with the aim of boosting the purchasing power of citizens, and stimulating domestic demand and domestic output. 4 banks have approved 164,071 dinar cash loans to the total amount of 294.4m dinars. The Government adopted a Regulation on means and conditions of attracting direct investments, so 114 projects were approved, with the total sum of EUR 635.1m. Stimulating government funds amount to EUR 47.3m, and plans are to create 17,914 new jobs. The Program of Extra Measures of Support for Construction Industry and the Law on Stimulating Construction Industry has been adapted so that it amounted to about 30bn dinars. The first results were 117 projects approved and 10bn dinars for their realization, with the view to activating domestic construction companies and domestic industry of construction materials. An agreement was reached with the IMF on the dynamics of raising salaries and pensions in the year to come and fiscal accountability issues were addressed. The biggest share of disbursements for

⁴ In 2010 Serbia has had 7 306 577 citizens, Source: National statistical Office <http://webzrs.stat.gov.rs/axd/index.php>

pensions as a part of GDP is 14%, and Serbia already has almost 15 percent. Biggest salary-pensions ratio is 60 percent. Government has been in favour of a selective approach: careful assessment of bottom and top pensions, which may include their diverse growth dynamics, which has been pushed by united Trade unions Conditions demonstrated through strike in November 2010. Labour market policies are concentrated at: Employment policies and job creation, The labour market and links with the education and training system, development of strong social partnership structures to mediate between the demand for and supply of qualifications, implementation of the National Qualification Framework, creation of an important bridge between schools and companies, development of VET research institute to support national policy-making and governance in VET and Adult Learning. Very important legal frameworks are: New Budget System and Fiscal Responsibility Law with accompanying regulations which is supposed to ensure the strengthening of fiscal discipline, The new Pension System Law that would revise the parameters for retirement and the pension indexation formula in order to reduce the share of pension expenditures in GDP gradually, the legal framework for collection and restructuring of debt incurred by companies and faster resolution of blocked account problem, creating the mechanisms for out-of-court debt reprogramming and restructuring to reduce the number of unnecessary and expensive bankruptcies and improve banks' ability to resolve the growing bad debt. The Government has been active in mobilization IFIs funds to provide some stimulus for growth. What is encouraging: The coordination of IFIs (IMF, WB, IBRD, and EIB) in considering providing packages of equity and credit lines to support priority projects with focus on infrastructure, SMEs, energy efficiency, financial sector, infrastructure support, and budget deficit. In moving to Export-led Growth: the preference in foreign investments is given to such flows and arrangements in which the risks are shared by the foreign investor and not left with the domestic economy and its financial system.

A positive assessment of the IMF enables Serbia to withdraw EUR 366.5m but current balance of payments developments allow for a withdrawal of lower funds than approved (EUR 53.5m) and so the total funds that have been used so far within the IMF arrangement will equal EUR 1.46bn, EIB announced series of loans worth over 1.4 billion Euros over the next two years, WB agreed to provide the country with 300 million USD for budgetary support. The main pillars are: Fiscal adjustments, Vienna agreement providing assurance from the parent banks to at least maintain their exposures to Serbia, Financial Sector Support Program and the start of a new T-bill program and more responsible fiscal policy striking a balance between the cyclical deficit and debt sustainability.

4. Industrial relations

Industrial relations are trying to become an integral part of social relations in Serbia and at the same time to perceive the social conditions, as well as state and relations of actors who influence the progress of establishing democratic industrial relations, which is one of the necessary conditions for Serbia's European integration. But according to research in 2010 Serbia has taken the 135th place in the cooperation of workers and employers, 22 places worse than in 2009, which indicates deterioration in industrial relations. Collective agreements have been very difficult to conclude and they are not being respected. The National collective agreement, which aims to introduce a more efficient system for the protection of workers' rights, was finally signed on 29 April, 2008, after three years of negotiations between representatives of the representative trade unions and the Serbian Employers Union. On 6 November 2008, the document which provided for the broader application of the National collective agreement was also signed, while the Minister of Labour and Social Policy signed a document which approved the broader application of the National collective agreement. Although these

agreements should have ensured the implementation of the National collective agreement, with the outbreak of the economic crisis, the application of the National collective agreement was suspended. Due to budgetary cuts, in January 2009 the Annex was adopted which froze its implementation during the period of the crisis. Another change connected to the new legal regulation is that the Government does not participate in the conclusion of the new National Collective Agreement anymore, but continues to play an active role in the conclusion of several sectoral and special collective agreements.

The Social Economic Council is facing several problems, the scarcity of financial resources, and the irregular attendance of the representatives of the social partners at the Council's meetings, why some draft laws are passed in parliament without being discussed on the Council's floor. As a result of increasing social tensions, an increasing number of strikes took place in 2009 and 2010 according to some estimates, from the beginning of 2009 every day workers in 25–30 enterprises were on strike. The largest Serbian trade union – the Confederation of Autonomous Trade Unions of Serbia (SSSS) – criticized the government measures and announced that the trade union would go ahead and organize a general strike, the representative of the trade union Independence (Nezavisnost) was somewhat less critical, supporting the most recent programme of measures, launched in March 2009, as more consistent and economically more rational, for example, by involving those on higher incomes by means of various new taxes, but he criticized the government for its lack of an exit strategy. The President of the Union of Employers criticized the trade union methods – the choice of open protest, instead of criticism of the government's programme – and was generally supportive of the government's plan, stressing that public sector reforms have been on the agenda for years and that the plan should secure significant savings in the government budget.

There was also joint action by the social partners, in cases where their positions were the same: they tried to dissuade the government from increasing taxes (as proposed by the IMF). The Serbian Union of Employers, together with the two main trade unions SSSS and Nezavisnost, made an appeal to the Prime Minister against additional taxes, stressing the enormous responsibility of the government if the economic situation and living standards of the population deteriorated further. On other issues, there was no consensus among the social partners, between the representative trade unions and employers' representatives on the increase in the minimum wage. Another change connected with the new legal regulation is that the Government does not participate in the conclusion of the new National Collective Agreement anymore, but continues to play an active role in the conclusion of several sectoral and special collective agreements⁵. In Serbia in 2010 the following National Trade Union Confederations were active: Confederation of Autonomous Trade Unions of Serbia with about 500,000 members organised in 30 professional federations, 6897 union's organizations from companies, 107 local confederations and 61 trustees, Association of the Free and Independent Trade Unions, AFITY, /1996/ with 200,000 members; Industrial Trade Union of the Serbia with 35,000 members, Serbian Association of Trade Unions,

⁵ Negotiating team comprising representatives of five confederations reached an agreement with the Government of Serbia on union claims to be incorporated into the Bill on Amendments to Pension and Disability Insurance Law. The agreement guarantees the restart of negotiations between unions and the Government in the case the average pension falls below 60% of the average salary. The ratio between the minimum pension and the average salary will be fixed by the Pension and Disability Insurance Law, stipulating that the former cannot go under 27% of the latter. The new norms regulating longer years of service for women will be applied starting on January 1, 2013 and not on January 1, 2011. The problem of redundant workers who already got their severance payment and cannot get retired because of the protracted years of service will be regulated by a Government's decree or another legal act. The only unresolved remaining issue is the one related to the accelerated years of service. The Government will have further discussion with the IMF on this subject and if an alternative solution is not found the unions' idea is to go on with the regulations from the existing Law. It is highly probable that the Bill will be brought back to the Parliament next week, so concerning this subject there is still time for further discussions between unions and Government.

Concord / 2008/ and new Trade union Confederation of the Free Trade Unions /2009/. There are more than 20.000 trade union organizations at company, local and national level, and most belong to the first 2 union confederations.

Existing Employers' Associations in Serbia in 2010 are: Association of Employers of Serbia, UPS, established in 1994, pursuant to the Law on the citizens' social and political organization as a social organization, and after the adoption of the Labour Law in 2005 and the Law on State Administration. It has local offices in the greater part of Serbia. Participant in the signing of collective agreements at all levels, founder and member of the Social Economic Council; Association of Small and Medium Enterprises and Entrepreneurs of Serbia, (ASMEES), the employers' association founded in 2008. The founders of the Association are 35 associations operating 186,849 employers employing a total of 872,991 employees. The association brings together employers of all activities in the territory of the Republic of Serbia; ASMEES has 431,505 employees, which is 21.51 percent of total employment in Serbia. Membership is based on voluntary and optional fees; "The Employer", Association of Entrepreneurs was founded in 2010, brings together 374 companies, which account for about 100,000 workers; "Businessman", Serbian Business Club gathers the largest and the strongest private enterprises and financial institutions Association in Serbia. In the process of founding is also a new association of employers, "SMEs and entrepreneurs Association" within the Serbian Chamber of Commerce.

After Serbia failed at the beginning of the transition to reach social consensus between workers, employers and the state of the ways and the social cost of transition and distribution of this charge, in accordance with the economic power of certain social principles, social justice and solidarity, the key subject of conflict in 2010 among trade unions, employers and the state was the social cost of transition. Also, there is a lack of capacity of social partners to build mechanisms and practices of social partnership and lasting peace. This is evident in almost all aspects of industrial relations. Serbia still has a collective bargaining system inherited from the previous period, based on the National Collective Agreement, which essentially protects administrative mechanism of distribution of wages from the socialist time. The first step in this direction should be the formal abolition of the NCA, which actually works together for years, and the establishment of a new concept and practice of collective bargaining, tranquillity of the social market economy. Industrial partners have big problems with their capacity: Union of Employers of Serbia does not yet have a developed capillary organizational network, which neither covers the whole territory of Serbia, nor has sufficiently strong and consistent organizational constructive sectoral (branch) structure, and mainly brings together local private owners of small and medium enterprises. Outside its ranks, as a rule, are directors of public and municipal enterprises and managers who represent the owners.

The unions are divided and in conflict with each other, which is weakening their whole little social power, and causing a steady decline in confidence of workers in unions and the related tendency of decreasing trade union organization. It is estimated that the rate of union organization in 2010 was around 30%. One of the questions that need to be addressed in the function of the establishment and development of social partnership is a question of representativeness of trade unions and employers' organizations, because it is essentially a question of legitimacy of democratic industrial relations actors. In summary, experience in 2010 shows that a trade union strategy should include additional recommendations, relevant to Serbian trade unions: insist more on entrusting the fixing of the initial date of the crisis to an independent institution in which you have confidence, present and discuss the issue publicly, insist on the budgetary cycle that covers the whole expected period of the crisis, insist that the strong fiscal measures be part of a long-term programme for the restoration of Serbia's

international competitiveness, and not just current measures for managing the annual budget, insist that the government's anti-crisis programme become a national project: that is, its adoption should be the result of crafting a national consensus, and closely follow the development of relations between the government and the international financial institutions. It is also necessary that political parties change attitude to trade unions and to end the practice of creating their-party trade unions, but to turn responsibly on issues of social-economic and technological development, which are also key issues of unions' struggle. It is certain that the process of EU integration will affect on democratic industrial relations development, based on co-decision. It is extremely important for all stakeholders to develop industrial relations and joint programs and the education system in the field of industrial relations, because many problems they face today are the result of insufficient knowledge.

5. Tripartite social dialogue

The development of an institutionalized (tripartite) social dialogue was initiated after the democratic changes in Serbia. In 2004 the Law on Social and Economic Council was adopted and thus a legal framework for the development of social dialogue in Serbia was in place. The present composition of the Council was constituted in 2008, after the general parliamentary elections and the establishment of the coalition government. The Council meets on a regular basis and discusses the key issues from its scope of competences. Primarily, the Council considers draft laws that regulate labour and social legislation, economic policy, minimum wages in Serbia, as well as measures applied by the Serbian government to reduce the effects of the global economic crisis on the Serbian economy and the extremely high rate of unemployment. The Council is an independent body with eighteen members six of which are ministers in the Serbian government, six members are representative trade unions (four from the Confederation of Independent Trade Unions of Serbia and two from the Trade Union Confederation "Nezavisnost"), and six from the representative association of employers (Union of Employers of Serbia). Decisions, opinions, positions and recommendations are adopted by consensus and forwarded to the government, i.e. the ministries that propose draft laws, bylaws, action plans and strategies. With a view of ensuring professional discussions and quality documents, the Council has formed four standing working bodies: One is dealing with legislation, one for economic questions, one for collective bargaining and peaceful disputes resolution and one for occupational health and safety. These bodies, formed on tripartite basis, provide expert opinions on documents to the Council and through the Secretariat.

According to the report for 2010, the items on the agenda of the regular sessions included: opinions about the Draft Law on the prevention of mobbing, Draft Law on gender equality, Draft Strategy on occupational health and safety, Draft Amended Law on peaceful labour disputes resolution, analysis of the Agreement on future development of social dialogue, evaluated the package of government measures presented by the Prime Minister .

6. Forecasts

It can be expected that the biggest problems in 2011 in Serbia will be primarily: the ability of the economy, a further decline in standards, unemployment, financial instability, fall in value of dinar, numerous price increases of food, energy, public transport, and inflation. A negative impact on the social-economic situation would have anticipated reduction in state subsidies, support costs credit activity and liquidity of the economy, reduction of capital investments. In this regard, exporters will have a lack of funds for quality performance in foreign markets, which, together with technological backwardness would make higher fear of movements in the foreign exchange markets.

Good aspects are: reduction of tariffs on imports from the EU, reduction of government spending approximately of 42.75% of GDP; connecting railways of Slovenia, Croatia and Serbia in order to increase competitiveness of Corridor 10. Serbian advantages are in food products, favourable tax treatment of the CEFTA countries, EFTA, Russia, Belarus /Free Trade Agreements/. State projections plan to slightly increase pensions and salaries. It is planned that in 2011 productivity would increase by +3, exports+14%, imports +9.4%, and GDP by +3%.In the coming year income issues and policies could become crucial within the framework of crisis management: wages: lower purchasing power, erosion of savings, reduction of demand, poverty; growing indebtedness of households and SMEs; taxation models: massive shift to the FTR, leading to an increase in the budget deficit; upward distribution (the rich benefit more). So the challenge of the trade union agenda in negotiations with the Government and employers would be income/taxation policy. This issue needs regional coordination and EU involvement in the evaluation of taxation patterns imposed by the IFIs in the region.

Some optimistic signs can be seen in protection of workers' rights. Trade union struggle highlighted the first global symptoms of change: the World Bank publication Doing Business: use of the Employing Workers Indicator (EWI) was ended (2011), ILOGJP acceptance and so on. Bearing in mind the growing concerns and level of dissatisfaction with regard to political destabilization, social dialogue in Serbia is still not strong enough to become a solid tool for addressing the negative outcomes of the crisis, as well as industrial relations. But at the same time it can be seen that the number of advantages arise as a result of institutionalized social dialogue, which could be used for the purpose of crisis management in the next period:

- Availability of a national network of negotiating groups, which has developed into an institution for consultation and the exchange of information;
- Availability of initial incentives, aimed at achieving sustainable partnership.

Annex

System of collective bargaining

The collective bargaining system in Serbia is carried out on three levels: the national level, sectoral (including territorial where, mostly, public utility companies sign agreements with local self-governments) and company level. National collective agreement for the whole territory of the country was signed in April 2008, (for a period of three years) after nearly four years of negotiations. Unfortunately, the effects of this important document were diminished after the Annex to the Agreement was signed in the end of 2009 which postpones the implementation of many financial obligations of employers vis-à-vis workers, as a result of the global economic crisis. Collective bargaining on the sectoral level is not developed enough. Collective agreements were signed in the following sectors: health care, education, culture, republican and local administration. The competent ministries signed these agreements with trade unions and then the Minister of labour, upon the recommendation of the Social and Economic Council, prescribed extended effect of the agreement to all employers in the said sectors and not only to the institutions that are funded from the budget, i.e. where the state is the employer. In the industrial sector, i.e. the private sector not a single branch collective agreement was signed, although in some branches bargaining has been taking place for some five years. At the company level, situation is very versatile. Collective agreements are signed mostly in bigger companies where trade unions are organized, while in small and medium size companies this level of bargaining does not even exist because the level of union organization is low. The challenges facing stakeholders in the social dialogue in Serbia are as follows:

- Further increase of capacities of social partners and of the Social and Economic Council as an institution;
- Changes of the labour and social policy legislation which will call for great efforts to achieve consensus - especially in the case of the Law on strikes, the Law on labour inspection, Amendments to the Law on pension and disability insurance and the amendments to the Labour law.
- Discussion on the basic directions of the economic policy of the state and measures for supporting development and increasing employment.
- Negotiations on the new National collective agreement, as well as negotiations on branch collective agreements.

System of tripartite social dialogue

In the last decade, a number of measures have been taken by the Serbian government to lay the foundations of a sound system of industrial relations, including the protection of the principle of freedom of association and the right to collective bargaining, the reform of the legal framework and the setting up of institutions for Social Dialogue with the national institution – the Social Economic Council. The institutions for Social Dialogue represent the very forums within which government representatives and workers' and employers' organizations could interact on social and economic policies. The government has initiated a Working Group for resolving workers' problems and Agency for Peaceful Settlement of Labour Disputes. Established labour and social legislation as an institutional basis for tripartite social dialogue in Serbia, although strategically important, is not enough, if the social partners do not have the motivation and capacity to build relations with the social partnership, based on awareness of common interests and responsibilities for those interests, which are essentially the principles of corporate culture and corporate social responsibility. Social power of Social and Economic Council of Serbia is far from the desired and needed, which is primarily the responsibility of social actors and the government that their treatment often seeks to exclude the Social Economic Council from decision-making on important matters of financial and social status of the world of work. Week dialogue between social partners and government cannot be a compensation for poor and incomplete final results and none of the preconditions for successful economic transformation. In this sense, it could help the Working Group which could also include representatives of representative trade unions and employers' associations in order to stimulate social dialogue and reach consensus on the most appropriate measures to take. Strengthening Social Dialogue and tripartism is the fourth strategic objective of the ILO which has to promote more in Serbia the principle and the practice of Social Dialogue as an instrument of democracy, participation and rights at work. In that purpose a new ongoing ILO project for Serbia and other Western Balkan countries would contribute to the strengthening of economic and social governance. The focus of the project is to consolidate the institutional and legal foundations of social dialogue and to promote an effective culture of social dialogue, since analysis show not efficient tripartite social dialogue, and not efficient bipartite social dialogue. The project in Serbia is addressed to enhancing the authority of the Social and Economic Council, enhancing the capacity of the social partners to attract and retain their members and represent them in social dialogue forums, strengthening the role of the Agency for Peaceful Settlement of Labour Disputes.

Social security systems

The largest single item of consolidated central government expenditure consists of pensions. Spending on pensions have consumed one third of public expenditures in 2010. Spending on health (largely financed from social contributions to the HIF) is the second largest item of consolidated central government expenditure, accounting for 15

percent of the total expenditures in 2010. Spending on education consumed another ten percent. Spending on social assistance each consumed about five percent of the total. The Government therefore needed to start on more fundamental reforms in the welfare system.

Pensions: In terms of overall fiscal impact, the most important reforms are started in the pensions system. Extending the nominal freeze in pension benefits through 2010 would yield savings equal to about 3.5 percent of consolidated central government expenditure. Subsequently reverting to inflation-only indexation until such time as the replacement rate is more in keeping with levels in EU countries; limiting early retirement costs by reducing the number of years a worker can retire early and reducing pension benefits for such workers regardless of their years of contribution; and raising the retirement age for women to match that of men will have significant long term impacts on the Government's pension obligations. Their short term impacts will be smaller. Because changes cannot be imposed retroactively, limits on early retirement and increases in the retirement age for women will only affect new retirees. The impact of indexing to inflation (as opposed to wages) will also appear in the longer term, as the nominal growth in wages outpaces the rate of inflation. (In the short term, real wages may, in fact, decline.) The pension system reform will continue with a view to creating a long term sustainable system that will not jeopardize the country's macroeconomic stability. This implies changes to the Law on Pension and Disability Insurance toward gradually increasing the minimum age limit for retirement for men and women (from 53 to 58 years of age) until 2020 and gradually increasing the necessary work experience for retirement for women (from 35 to 38 years). Occupations with the right to a beneficial work experience will be strictly restricted. Conditions for granting family pensions will grow stricter. These measures will be gradually introduced, to be fully in force by 2020.

To stimulate voluntary pension insurance, the Law on Voluntary Pension Funds and Pension Schemes will be changed. The changes are primarily related to shifting the age limit for withdrawing the accumulated funds from 53 to 58 years of age. The one-off amount of accumulated funds that can be withdrawn will be limited to 30% of funds in the account. To stimulate the citizens to invest into the funds, an option will be introduced to use the fund member's assets as a guarantee when buying the first ever apartment. Changes to the Law on Voluntary Pension Funds and Pension Schemes will be extended to comprise an option of investing the funds' assets into short term debt securities and into investment units of open investment funds operating in Serbia and in the EU and OECD countries, which will facilitate the operation of voluntary pension funds.

Health and education: Both health and education sectors suffer from overstaffing and the inefficient use of material inputs. In the short term, efficiency gains can be achieved by administrative fiat. In the health sector, the HIF should close underused primary clinics and reduce staffing in both primary clinics and hospitals. It should re-examine its benefits package and its use of high-technology. But it should also begin to address the overall incentives confronting primary care physicians and hospital directors. To institutionalize incentives for efficiency, it should abandon input-based budgeting and shift to capitation-based financing for primary care, and DRG-based financing for hospital care. This fiscal impact of introducing capitation based financing for primary care cannot be determined with any accuracy. The main goals and pathways of health care development in the next period will be defined by Health Care Development Plan of the Republic of Serbia. The plan will ensure health system development in accordance with an overall development of the country and maximum utilization of all health resources. Introduction of information technologies in this area will continue, which will provide for integrating all levels of health care, better throughput of patients,

higher quality of health services, better availability and equality in provision of health services. This will contribute to efficient management of health institutions at all levels, better monitoring of service quality and better planning of health costs. Changes to the Health Insurance Law will provide for the start of implementing the pay-by-performance system in health centres and by diagnostically similar groups in hospitals.

Education and vocational training

Education System: Since 2003, universities and colleges in Serbia have produced about 27,000 graduates, 1,000 Masters of Science, and 400 PhDs annually. Of the total number of graduates, technical universities account for approximately 30%. Key objectives of the education system reform in the following mid-term period will be based on the Education System Reform Strategy on all levels. The main goals of the Education System Reform which started in 2010 are based on the principles of lifelong learning and the educational standards of the EU. Key objectives of the education system reform in the following mid-term period include:

- Acquiring quality knowledge and skills in the area of linguistic, mathematical, scientific, artistic, cultural, technical and computer literacy with the forming of value attitudes;
- Development of creative, intellectual, emotional, social, moral and physical ability of every child and student to match his/her age, development of needs and interests and practicing healthy lifestyle;
- Development of abilities to use information and communication technologies;
- Development of self-awareness, self-initiative, ability of self-valuation, learning motivation and expressing of one's own mind;
- Enabling students to make valid decisions regarding choice of their further education and occupation, own development and future life, solving the problems and networking, applying knowledge and skills in their further education, professional work and everyday life;
- Development of communication skills, dialogue skills, quality and efficient cooperation with others and team work skills;
- Respecting and cherishing the Serbian language and mother tongue, tradition and culture of the Serbian people, national minorities and ethnic communities, other nations and development of multiculturalism;
- Respecting race, religion, gender, sex and age equality, tolerance and appreciation of diversity

Education in Serbia, 2010

HDI rank	Achievements in education		Access to education					Efficiency of primary education		Quality of primary education	
	Adult literacy rate	Population with at least secondary education	Primary enrolment ratio (% of primary school – age population)		Secondary enrolment ratio (% of primary school – age population)		Tertiary enrolment ratio (% of tertiary school-age population)	Dropout rate, all grades	Repetition rate, all grades	Pupil teacher ratio	Primary school teachers trained to teach
	% ages 15 and older	% ages 15 and older	Gross	Net	Gross	net	Gross	% of primary school cohort	% of total primary enrolment in previous year	Number of pupils per teacher	%
	2005-2008	2010	2001-2009	2001-2009	2001-2009	2001-2009	2001-2009	2005-2008	2005-2008	2005-2008	2005-2008
60 Serbia	-	-	100.6	97.0	90.5	89.6	48.7	1.6	0.6	-	100.0

East Asia and the Pacific	-	-	112.2	93.3	72.8	62.6	20.9	21.3	-	-	-
High human development	92.3	41.0	111.9	94.4	88.9	74.9	43.2	7.3	6.5	-	-

Source: HD Report 2010, UNDP

Health

HDI rank	RESOURCES		
	Expenditure on health per capita(PPP \$)	Physician Per 10.000 people	Hospital beds
	2007	2000-2009	
60 Serbia	769	20	54
Europe and Central Asia	623	-	52
High human development	721	-	34

Source: HD Report 2010, UNDP

Social assistance: In principle, there is a case for introducing testing funds into the Government's two most expensive social assistance programs: maternity and veterans benefits. If this succeeded in cutting the costs by half, it would save the equivalent of 1.2 percent of consolidated central government expenditure, focusing on increasing spending on programs that are already funds tested: the MOP and the child allowance. Compulsory social insurance contributions represent the largest single form of public revenue. The share of contributions in GDP is approximately 10.7%. Social Protection defines the social protection system goals, principles, rights and social protection services, forms of social protection service provision, rights and duties of beneficiaries, supervision over the social protection institutions and other social protection service providers, the procedure for using the services and exercising the title to material support, funds for achieving and financing social protection. Social protection measures are focused on improving the quality of life of the sensitive groups of citizens, which will be ensured by simplifying the procedure for beneficiaries to receive their rights and by providing assistance within the scope necessary to ensure a minimum living standard of that part of population. The social protection system reform also means strengthening the capacity of institutions on the local level, and taking over responsibility for meeting people's needs in this area. Funds for this will be provided from original revenue of local government bodies. Funds from the state budget will be made available only for those municipalities that cannot meet the minimum rights in social welfare from their own revenue.

Serbian National budget transfers to social sector accepted for 2011

Description	RSD	EUR
Pension Fund	230.900.000.000	2.199.047.619
National Employment Service	18.350.000.000	174.761.904
Republican health Institution	615.048.000	5.857.600
Transition Fund	4.740.000.000	45.142.857
Child care	39.162.700.000	372.978.095
Disability protection	14.886.600.000	141.777.142
Social care	19.103.631.000	181.939.342
Pupils standard	1.951.631.000	18.586.961
Students standard	3.261.017.000	31.057.304
Fund for young talents	589.252.000	5.611.923
Sport scholarship	800.000.000	7.619.047
Refugees	1.068.397.000	10.175.209
Transfers to local governments	31.800.000.000	3.028.557.142

Source: Ministry of Finance of Serbia, 2010

Employment rate

Employment rate in Serbia, 2008-2010

		Total number of employed persons (15-64)	Employment rate(15-64)
2008	October	2.646.215	53.3%
2009	October	2.450.643	50%
2010	October	2.985.453	53.0%

Source: Labor Force Survey /LFS/,SORS

Average monthly wages

Average Monthly Wages (EUR) in Serbia, 2008-2010

Year	Average Monthly Wage (EUR)
2008	400
2009	338
2010	370

Source: Statistical Year Book of Serbia, 2010

Monthly average gross salaries in Serbia and in neighbouring countries in EUR, 2004-2006

	Albania	B & H	Bulgaria	Croatia	Mac	Hungary	Monte	Romania	Serb
2004	191	382	150	799	339	578	303	202	283
2005	216	408	166	844	348	638	326	267	308
2006	227	447	181	906	375	648	377	326	378

Source: Collection of data from UNDP editions

Average Monthly Wages (EUR) in Serbia, and in neighbouring countries in EUR

	Serbia	B & H	Croatia	Macedonia	Slovenia	Montenegro
2010 October	320	395	725	330	935	445

Source: Collection of data from UNDP editions

Gender differences in wages

There is a noticeable wage gap between men and women in Serbia, which is primarily the consequence of the traditional distribution of employment according to certain sectors and levels of education. The Segregation index of Serbia in 2010 is 23.32. The analysis of wage differences shows significant gender differences in all wage classes, with the exception of the highest and lowest wage class, where the number of male and female employees is approximately the same. As regards the amounts, the largest difference in wages is found in the category of the population without a diploma, the wage gap is reduced as the education level goes up.

Share of average pay of employed woman according to activities 2010

Activity	Share of average pay of women in average pay of man		Participation of employed persons	
	Not excluding those who do not report income and those with-out income	Excluding those who do not report income and those without income	Women	Men
Agriculture, forestry and water management	38.03	64.2	19.12	19.33
Fishing	88.87	88.87	0.03	0.14
Extractions of ores and stone	69.64	69.64	0.28	2.16
Processing industry	86.95	87.36	16.85	22.12
Generation of electricity, gas and water production	98.81	96.86	0.87	2.36
Construction	94.19	93.97	1.65	8.33
Retail sale and wholesale trade, repairs	75.89	77.4	19.52	13.48
Hotels and restaurants	78.2	78.94	3.43	25.54

Transport, warehousing and communication	98.62	96.48	2.28	1.18
Real estate business, renting	82.52	82.29	3.58	2.51
State administration and social insurance	85.06	86.69	5.24	6.87
Education	80.17	80.11	8.55	3.21
Healthcare services and social work	81.07	79.81	10.94	2.5
Other public utility, social and personal services	82.99	85.96	4.23	4.56
Households with employed persons	62.92	67.96	0.53	0.11
Exterritorial organizations boodles	50.62	50.62	0.1	0.17
Unknown activities	13.65	25.87	0.06	0.16
			100	100
Segregation index	23.32			

Source: Statistical Year Book, 2010

Inequality-adjusted HDI

HDI rank	Human Development Index(HDI)	Inequality-adjusted HDI			Inequality-adjusted life expectancy at birth index		Inequality-adjusted income index	
	value	Value	Overall (%)	Change in rank	Value	Loss (%)	Value	Loss (%)
	2010	2010	2010	2010	2010	2010	2010	2010
60 Serbia	0.735	0.656	10.8	6	0.783	9.0	0.640	11.1

Source: HD Report 2010, UNDP

Inequality in average monthly wages among men and women in Serbia, 2008-2009

Monthly average wages			Monthly average wages		
2008			2009		
Total	F	M	Total	F	M
45406	44188	46434	47400	46489	48197

Source: Statistical Yearbook of Serbia 2010

Monthly Minimum Wage (EUR)

110.000 employees were receiving minimal wages in 2010. Beside them in 2010 there were 105.000 employed persons who did not receive their wages, and 600.000 employees got their wages - but not regularly – monthly. According to the Poverty Reduction Strategy data, 10.6 per cent of the population lives below the poverty line defined as 2.4 US dollars per day (an estimate of 650,000 living in Serbia). The lack of public capacity to meet the needs of these populations and their reduced access to the existing health, education and social welfare services increases their vulnerability.

Monthly Minimum Wage in Serbia, in EUR, 2007-2010

	2007	2008	2009	2010
Serbia	189	159	114	155

Source: Business Magazine public data

Actual weekly working hours

The Labour Laws and the National Collective Agreements define the weekly working hours of employees as including the total of 40 hours with the mandatory 12 consecutive hours of rest between two working days and the 24 consecutive hours of rest in the course of one week. Employees may work overtime, but the number of overtime work hours is limited by the law. If demanded by the nature of work, the full-time working hours can be redistributed but in such a way that the average working hours cannot be longer than 52 hours per week, and for seasonal jobs no longer than 60 hours per week. If a redistribution of working hours is introduced, the average working hours in the course of one year may not be longer than 40 hours per week.

Structure of active population of Serbia, aged 15 and over, April 2010

	All	Employees (%)	Self-employed (%)	Family workers (%)
2010	2.985 453	53.0	21.5	6.3
2009		68,4	22,8	8,8

Source: Statistical Year Book of Serbia, 2010

Employed persons in Serbia by number of the usual work hours per week, April 2010

	Total	Sex		Type of employment		Employment status			Educational attainment			Age groups						
		Male	Female	Urban	Rural	Self-employed	Employees	Family workers	Without educational attainment	Low	Medium	High	15-24	25-34	35-44	45-54	55-64	65 and over
Total	2412106	1378 086	1034 020	1314 763	1097343	64171 2	1582 455	187939	19180	53819 5	13760 82	47864 9	12957 5	46667 5	62566 4	67062 1	38596 9	13360 1
1hour	551	-	551	229	322	551	-	-	-	551	-	-	-	322	229	-	-	-
2-4	1827	531	1295	1494	332	1421	199	207	-	1067	760	-	961	-	199	436	229	-
5-9	8846	5392	3453	3466	5379	4481	3166	1199	355	1925	5456	1110	895	1023	2665	1297	2257	709
10-14	23973	1357 8	1039 4	1199 0	11983	11434	4135	8403	1675	8705	9778	3815	991	5667	1990	2912	5712	6701
15-19	14009	7783	6226	6016	7992	8992	3019	1998	-	6671	5134	2204	3291	2538	408	2483	2865	2423
20-29	102669	5252 5	5036 4	2884 9	74039	52428 7	1933 7	31123	6164	49027	39030	8668	10483	15129	14295	14460	19233	29287
30-39	173102	8876 5	8431 7	7611 4	96987	70854	7794 5	24303	4165	56265	77348	35324	6158	30469	43838	36303	29494	26839
40-49	1668285	9168 21	7514 64	1038 046	630823	25194 4	1350 963	65378	2449	24670 1	10286 15	39052 41	85983	34676 1	48934 6	49229 2	24495 2	29551
50-59	199161	1290 21	7013 9	7773 0	121430	98740	7321 3	27207	1854	73067	10316 3	21077	9721	34063	44293	58376	33852	18875
60 hours and more	219080	1632 64	5581 6	7082 8	14252	14048 3	5047 7	28120	2519	94218	10641 2	15931	10704	30721	48401	62063	47975	19215
Unknown	385	385	-	-	385	385	-	-	-	-	385	-	385	-	-	-	-	-

Source: Statistical Year Book of Serbia, 2010

Structure of employed persons in Serbia by type of working time, sex, type of settlement, employment status, educational attainment and age, April 2010

	Total	Sex		Type of employment		Employment status			Educational attainment			Age groups						
		Male	Female	Urban	Rural	Self-employed	Employees	Family workers	Without educational attainment	Low	Medium	High	15-24	25-34	35-44	45-54	55-64	65 and over
Total	100%																	
Full time job	90.6	91	90.1	94.9	85.5	80.2	97.7	67	39.4	80 .7	93.4	95.9	84.9	92.8	94.4	94.9	88.1	56.7
Part time job	9.4	9	9.9	5.1	14.5	19.8	2.3	33	60.6	19 .3	6.6	4.1	15.1	7.5	5.6	5.1	11.9	43.3

Source: Statistical Year Book of Serbia, 2010

Normal Work / Atypical Work

The Labour Laws and the National Collective Agreements defined the flexible patterns of work as possible. No Agency for temporary work is yet founded, although according to the field research provided by the R. Grozdanic and Employer' s organization of Serbia two years ago, the unemployed and employed persons showed a great interest for such work, which demonstrated the necessity of the new Law on temporary work patterns. The research result shows a possibility of a new employment for 250.000 persons in: seasonal, Sunday, overnight, Saturday, two on one job, and other flexible type of work.

Structure of employed persons by specific types of working time, Serbia, April 2010

	Total	Sex		Type of employment		Employment status			Educational attainment				Age groups						
		April 2010	Male	Female	Urban	Rural	Self-employed	Employees	Family workers	Without educational attainment	Low	Medium	High	15-24	25-34	35-44	45-54	55-64	65 and over
Evening work-all	100																		
Often	19.5	21.1	17.5	17.6	21.9	22.2	13.8	19.2	9.9	21.6	22.3	9.7	25.3	20.4	21.0	19.3	16.1	15	
Sometimes	24.2	26.6	20.8	20.2	29	26	23.1	21.5	26.8	32.7	23.7	15.5	28.3	22.4	26.4	21.6	23.4	31.9	
Never	56.2	52.2	61.7	62.2	49.1	51.7	63.1	59.3	53.3	45.7	54	74.8	46.4	57.2	52.6	59.1	60.5	53	
Night work	100																		
Often	6.9	9.1	3.9	7	6.7	6	6.2	9.3		5.1	9	3.1	12.4	7.7	8.1	6.8	4	1.6	
Sometimes	10.8	13.5	7.2	11.3	10.1	10.4	12.2	10.2	9.1	9.5	12.5	7.2	13.2	12.1	12.1	10.3	8.4	6.7	
Never	82.3	77.4	88.9	81.7	83.1	83.6	81.6	80.5	90.9	85.4	78.5	89.6	74.4	80.2	79.7	82.9	87.6	91.7	
Saturday work	100																		
Often	40.8	42.7	38.2	29.4	54.4	48.6	25.7	38.6	62.9	63.1	40.9	14.5	42.5	38.9	38.3	36.9	43.2	69.8	
Sometimes	26.3	28.8	22.9	26.1	26.5	24.7	24.8	30.9	33.9	24.8	28.4	21.6	36.6	26.4	28.3	24.6	22.2	26.6	
Never	32.9	28.5	38.9	44.5	19.1	16.7	49.5	30.5	3.2	12.1	30.8	63.9	21	34.7	33.4	38.5	34.6	3.5	
Sunday work	100																		
Often	21.8	23	20.2	13.9	31.3	26.4	13.5	20.1	46	37	20.9	6.4	21.2	16.7	19.1	20.1	26.3	43.6	
Sometimes	21.9	24.6	18.8	18.4	26.1	23.6	19.4	20.8	37.5	29.6	22.1	12.2	27.6	20.4	23.8	18.7	21.3	31.1	
Never	56.2	52.7	61	67.7	42.6	50	67.1	59.1	16.6	33.4	57	81.3	51.2	61.4	57.2	61.2	52.3	25.3	
Working at home	100																		
Often	6.1	6	6.3	3.2	9.6	6.2	5.7	6.4	21.5	13.4	3.9	3.8	2.9	3.5	4	4.8	10.9	20.5	
Sometimes	3	3.1	2.9	3.3	2.7	2.2	4.9	3.1		2.1	3	4.4	5.2	2.9	3.5	2.6	3.2	1	
Never	90.8	90.9	90.8	93.5	87.7	91.6	89.4	90.5	78.5	84.5	93.5	91.8	91.9	93.6	92.4	92.6	85.9	78.5	

Source: Statistical Year Book of Serbia, 2010

Structure of employees by type of job, Serbia, April 2010

	Total	Sex		Type of employment		Educational attainment			Age groups							
		April 2010	Male	Female	Urban	Rural	Without educational attainment	Low	Medium	High	15-24	25-34	35-44	45-54	55-64	65 and over
Total	100															
Permanent job	88.8	87.8	90	90.1	86.1	-	79.2	88.8	93.2	63.3	80.3	91	95.1	95.5	94.3	
Temporary job	8.4	8.1	8.6	8.4	8.3	25.4	11	8.6	8.8	27	17.3	5.9	3.1	2.4	-	
Seasonal job	1.4	2.2	0.5	0.6	3.2	34.9	4.5	1.4	-	3.3	0.9	1.8	1.3	0.8	5.7	
Casual job	1.4	1.8	0.8	0.9	2.4	39.6	5.3	1.2	-	6.4	1.5	1.3	0.5	1.3	-	

Source: Statistical Year Book of Serbia, 2010

Employees with part time job, Serbia, 2006-2010

Year	%
2010	8.4
2009	8,7
2008	9,1
2007	7,5
2006	7,1

Source: Statistical Year Book of Serbia, 2010

Unemployment Rate

Unemployment rate in Serbia, 2007-2010

	Unemployment rate (15-64)
2007	18,1%
2008	14.0%
2009	16.6%
2010	21,3%

Source: Labor Force Survey /LFS/,SORS, Eurostat 2009

Migration

Serbia hosts one of the largest populations of refugees and internally displaced persons (IDPs) in Europe. There are already 140,000 refugees and over 200,000 internally displaced people (IDP) living in Serbia at the moment, as a result of conflicts

in the 1990s Most live in private accommodation, but some 5,500, including a significant number of vulnerable people, remain in 55 collective centres. The Government designed a Migration Management Strategy and an inter-ministerial Coordination Body for Managing and Monitoring Migration (CBMMM) for migration management. The Commissariat for Refugees of the Republic of Serbia (CRS), as the body tasked with supporting the Coordination Body for the implementation of the strategy, established a migration and EU integration group. In addition to the existing body of refugees and IDPs, the position of Serbia on the fringes of the European Union means there is a steady stream of migrants trying to get political asylum in Serbia, on their way to the west. Some 500 asylum seekers are registered in Serbia every year. In addition there are between 40,000 and 150,000 rejected asylum seekers being slated for return to Serbia from Western Europe in the coming years, many of them at the risk of human trafficking upon return.

Migrants flows, Serbia January 2010*

Residing in Serbia	
Refugees	86.351
Asylum Seekers	30
Returned refugees	2.705
Internally Displaces Persons(IDPS)	224.881
Returned IDPs	871
Stateless Persons	16.700
Various	386
Total Population of Concern	331.924
Originating from Serbia	
Refugees	195.626
Asylum Seekers	12.306
Returned refugees	2.705
Internally Displaces Persons(IDPS)	224.881
Returned IDPs	871
Various	386
Total Population of Concern	436.775

Source: Statistical Year Book of Serbia, 2010

HDI

HDI for Serbia, 2006-2010

Year	HDI Index
2006	0,821
2007	0,826
2008	0,830
2009	0.733
2010	0.735

HDI , 2009-2010, Serbia's rank*

HDI rank	HDI value		Gross national income(GNI) per capita PPP 2008\$	Non income HDI value 2010
	2009	2010		
60 Serbia	0.733	0.735	10.449	0.788
Europe and Central Asia	0.698	0.702	11.462	0.740
High human development	0.712	0.717	12.286	0.749

Source: HD Report 2010, UNDP

* General rank of HDI for Serbia in 2010 is 60

Gini Coefficient

Gini coefficient of consumption in Serbia, 2007-2010

Year	Index	International Rankings
2007	27	116
2008	26	129
2009	30	115
2010	26	128

Source: CIA World Fact book

Coverage of collective agreements

After long and strenuous tripartite negotiations, the National Collective Agreement was signed in 2008. All signatories assessed this act as a very important contribution to macroeconomic, social and political stability of the country.

Signatories of the National Collective Agreement were the representative trade unions and employers' organizations: the Confederation of Autonomous Trade Unions of Serbia, the UGS Nezavisnost and the Union of Employers of Serbia. The extended validity of the National Collective Agreement in compliance with the Labour Law Article No 257 i.e. on its implementation on all employers and the employees in the Republic of Serbia has been signed in 2008.

A collective agreement can be concluded as general, special and individual Agreement. A general collective agreement and special collective agreement for a certain branches, groups, subgroups and line of business is concluded for the territory of the Republic of Serbia, between the representative association of employers and representative trade union set up for the branch, group, subgroup or line of business. Some of the most important special collective agreements which are in function are: SCA for government bodies, /2008/, SCA for social protection / 2002/, SCA for tourism and catering /2007/, SCA for high education /2009/, SCA for employees in primary and secondary schools and student hostels/ 2009/.

Collective bargaining landscape in Serbia is largely dominated by company agreements. Sectoral agreements are found to varying degrees in both public and private sectors, resulting in correspondingly higher rates of coverage. At sectoral level, there has recently been an increasing number of agreements, they cover primarily the public sector in Serbia, and broad sections of the public services, public utilities and service sectors. On the other hand, collective agreements at company level continue to predominate in the Serbian private sector (provided the company trade union represents at least 15% of the workforce). This is necessary to legitimize both collective bargaining and participation in tripartite national Economic and Social Councils. For employers' associations, this threshold ranges between at least 10% of all relevant employees in their member companies, on the basis of which they are considered representative and thus entitled to participate in tripartite bodies. In addition, there is a possibility of achieving broader coverage where the competent ministry declares a collective agreement to be generally binding. Collective agreements covering six public sector industries in Serbia have been declared generally binding and thus apply nationwide.

Unfortunately, the real functioning of mechanisms of social partnership is far of the satisfactory level. First of all, in Serbia is in force the collective bargaining system inherited from previous period, in which the state authorities have dominant position. Collective bargaining is functioning relatively successfully in public services, but negotiations are limited only to the level of salaries, or better to say, on fighting for few

percents more, in situation in which average wage is low and thousands of people did not get wages for few months.

Trade union density

Although there are no official data that could accurately indicate the actual number of members of trade unions, and the ratio between this number and the number of registered employees, according to the existing estimates the level of trade union density was in 2010 approximately 30%. In the period 2003-2005 it was 41%, in 2007 it was 19%. There is a higher trade union density in the public sector, whereas in the private sector trade unions are most frequently present only in those companies that used to have organized trade unions before they were privatized, while it is seldom the case in the newly established private companies that the employers allow union organization of workers. Especially prominent were the problems that the organization of trade unions was faced with in multinational companies that have entered the Serbian market. According to the data presented at sites of Trade Union Confederations: Confederation of Autonomous Trade Unions of Serbia has got 505,101 members in 2010, Association of the Free and Independent Trade Unions 212.086 members, Industrial Trade Union of the Serbia 35.000 members.

Trade union density as % of TU members among all workers /2003-2005/

Country	Trade union density as % of TU members among all workers
Albania	22
Rep.Srpska	66
BIH	68
Bulgaria	25
Croatia	42.5
Hungary	25
FYR Macedonia	45
Serbia	41

Source: ILO UNIONS 2006

Trade union density rate, Serbia, 2007

	Proportion of wage and salaries earners	Proportion of total employment
Serbia	29.1	19.0

Source: ILO UNIONS 2007

Employers' association density

There are no accurate data on membership in the Employers' Associations of Serbia. According to their own data bases presented at sites: United Employers of Serbia with 1,666 members, most of them represent the public sector enterprises, Association of SMEE of Serbia with 140,000 employers with 431.505 employees, Employer with 374 enterprises with 100,000 employees, Serbian Business Club Businessman with the biggest and most successful private companies and financial institutions for members, and Association of SMEs and solo traders. For employers' associations, this threshold ranges at 15% of all relevant employees in their member companies, on the basis of which they are considered representative and thus entitled to participate in the tripartite bodies.

Workplace representation

In accordance with the Labour law, employees working with the employer who has more than 50 workers have right to organize workers council, and with more than 3 workers to organize a union. Also, Labour Law protects basic rights of employees and

employers - first of all, freedom of association. In favour of it, the Law protect rights of workers and trade unions to be informed about important issues related to the economic and social position of employees, right of the trade union leaders to paid leave for trade union activities, and oblige employers to provide adequate space and technical equipment for trade union work. The Law also defines conditions for representations of trade union and employers organizations. The Law about Social Economic Council defines social-economic council as an independent body composed of representatives of the Government, trade unions and employers' organizations. Social Economic Council may be organized on national, regional and local level. Law defines next the most important aims of the social-economic council: establishing and development of social dialogue about issues important for the economic and social position of employees, and basic social and economic rights and freedoms; development of the culture of negotiation; supporting of peaceful settlement of collective industrial disputes; development of democracy. The Law for peaceful settlement of labour disputes defines two forms of disputes – individual and collective. The Law also defines basic principles of peaceful settlement of labour disputes: voluntary; tripartite; impartial. In favour of more efficient and successful solving of labour disputes, the Law establishes the National agency for peaceful settlement of labour conflicts. Serbia has a provision that stipulates an existing employment relationship as a precondition of joining a union. Of much more serious import, however, is the fact that almost 90% of the new recruitment is for a fixed term, which prevents many people who are newly entering employment or changing jobs from joining a trade union. Regulations on company level employee representation – works councils still largely insignificant.

Despite the long tradition of workers' councils under the socialist system of self-management in Yugoslavia, today the elected employee councils no longer play any significant role in Serbia. In practice, employee representation has an overwhelmingly uniform structure, generally consisting of company trade union representatives. This, however, is again dependent on the level of union density in a company. Given the structure of the company agreements that also prevail here, this creates difficulties for the majority of "union-free" companies, particularly the many newly-founded small and medium-sized enterprises (SMEs). In Serbia, the legislation since the new millennium has made it legally possible to establish works councils within a dual system consisting of employee representatives elected by the entire workforce alongside existing local union representatives. This legislation, however, expressly requires both representative bodies to co-operate with each other and also clearly specifies the distinct competences of each. In practice, works councils currently play a fairly important role in Serbia so far they have had a fairly marginal role. Here, also, more detailed provisions on the functioning of works councils are due to be set out in a special law that has not yet come into existence. If we take the total proportion of employees in a country who are represented by a company trade union and by a works' council as well, in Serbia, this figure was in 2009 little higher (33), than the percentage of employees organized in a trade union (25). (The lower figure for Serbia is the result of less adequate representation in the private sector). Employee representation in Serbia is less, rather patchier than in the rest of Eastern Europe, but again it is particularly poor in the majority of small firms. Labour inspectorates have recently been successful in special efforts to improve the nature and intensity of their monitoring activity. Ineffective monitoring by the courts is primarily responsible for the much-lamented lack of legal protection.

Trade unions

There are more than 20.000 trade union organisations in Serbia in 2010 at company, local and national level, most belong to the first 2 union confederations. Unions need to improve their ability in the direction of:

- Increase of the number of members. Unions should be much more able to attract membership and to represent the interests of particular groups affected by the crisis: a micro, small and medium enterprises, apparently self-employed, wage workers, part-time employees, persons with disabilities, pensioners, people in search of employment, people without a job, the black economy, and the sector of services.
- Increase local presence
- Solidarity branch policies and better cooperation within the umbrella association and create a modern trade union capable of initiating and implementing pragmatic initiatives, new ideas through projects and successful practical cases
- Enhancement of the organization of social partnership with employers and state
- Increase of penetration. For this they need more competence which requires organized knowledge transfer, building its own competence, ability to lead a campaign, flexibility and creation of a vision

National Trade Union Confederations in Serbia 2010

	Trade Union	NUMBER OF Individual MEMBERS	INTERNATIONAL AFFILIATIONS
1	Savez samostalnih sindikata Srbije, SSSS, Confederation of Autonomous Trade Unions of Serbia, CATUS	505,101	International Trade Union Confederation (member) European Trade Union Confederation (observer)
2	Ujedinjeni granski sindikati Nezavisnost, "Independence" Trade Union Confederation	About 200,000 members	International Trade Union Confederation (member) European Trade Union Confederation (observer)
3	Asocijacija slobodnih i nezavisnih sindikata ASNS, Association of the Free and Independent Trade Unions , AFITY	212,086 members	-
4	Industrijski sindikat, (ISS), Industrial Trade Union of the Serbia	35,000 members	International Metalworkers` Federation IMF European Metalworkers` Federation EMF
5	Udruženi sindikati Srbije Sloga Associated Trade Unions of Serbia - Sloga	About 100,000	-
6	Konfederacija slobodnih sindikata, Confederation of the Free Trade Unions	About 200,000	EPSU, PSI, EUROFEDOP, UNI global union

Trade union federations by branches

Trade union	Members	National Confederation	International affiliation
Samostalni sindikat zaposlenih u poljoprivredi, prehrambenoj, duvanskoj industriji i vodoprivredi, Autonomous Trade Union of Workers in Agriculture, Food, Tobacco Industry and Water Management	70,000	CATUS	
Samostalni Sindikat metalaca Srbije, Autonomous Metalworkers of Serbia (AMWUS)	25,000	CATUS	IMF, EMF
GSM "Nezavisnost", Trade Union of Metalworkers	20,000	UGS Nezavisnost	IMF, EMF
Sindikat radnika gradjevinarstva i industrije gradjevinskog materijala Srbije, Trade Union of Workers in Construction and Building Materials Industry of Serbia	45,000	CATUS	BWI
PTT Serbia, Postal Workers Trade Union Serbia	9,500	Confederation of the Free Trade Unions	
Samostalni sindikat trgovine Srbije, Autonomous Trade Union of Commerce Workers of Serbia	20,000	CATUS	
Samostalni sindikat hemije i nemetala Srbije, Autonomous Federation of Chemistry and Metallic Minerals Workers of Serbia	36,520	CATUS	ICEM
Samostalni sindikat ugostiteljstva i turizma Srbije, Autonomous Union of Catering and Tourism Workers of Serbia	18,000	CATUS	
Granski sindikat hemije, nemetala, energetike i rudarstva HNER, "Nezavisnost" Federation of Chemical, Non-metal, Energy and Mining industries	18,000	UGS Nezavisnost	ICEM, EPSU,
Sindikat zaposlenih u zdravstvu i socijalnoj zastiti Srbije,	80,000	CATUS	

Health and Social Protection Employees Union of Serbia			
Unija sindikata prosvetnih radnika Srbije, Association of Teachers Unions of Serbia	30,000	Confederation of the Free Trade Unions	

Associations of employers

In Serbia, beside the oldest Employers' organisation, United Employers of Serbia, from 2008, 3 more are founded: Association of SMEE of Serbia, Association of Employers - Employer, and Serbian Business Club - Businessman, and in the process of founding is also the fifth Employers' Association, Association of SMEs and solo traders.

Employers' Organisations, Serbia 2010

	EMPLOYER'S ORGANISATIONS	NUMBER OF MEMBERS	INTERNATIONAL AFFILIATIONS
1	Unija poslodavaca Srbije, UPS / 1994/ United Employers of Serbia	1.666 Big enterprises, SMEs and associations	International Organization of Employers - IOE Union of Black Sea and Caspian Confederation of Enterprises - UBCCE Union of Mediterranean Confederation of Enterprises - BUSINESSMED Adriatic Regional Employers` Centre – AREC
2	Asocijacija malih i srednjih preduzeća i preduzetnika Srbije, (APPS), /2008/ Association of SMEE of Serbia	140.000 employers with 431.505 employees	Eurochambers
3	Udruženje privrednika Poslodavac /2010/ Association of Employers - Employer	374 enterprises with 100.000 employees	-
4	Srpski poslovni klub Privrednik, Serbian Business Club Businessman	The biggest and most successful in private companies and financial institutions	International employers' associations Eurochambers
5	Udruženje poslodavaca, MSP i preduzetnika, Association of SMEs and Solo Traders	In the process of founding within National Chamber of Commerce	-

Source: Internet sites, 2010