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(De)centralization of the Labor Market in Serbia - risks and opportunities for the youth

The youth of today are the face of tomorrow

The way the society treats young generation today is the best indicator of social relations in the future. This is the reason why societies should particularly focus on enabling equal opportunities for all those who are now growing up, and should carefully consider various sources of inequality within the youth population. The failure to prevent social inequalities or the growth thereof, widen the existing social inequalities and create the new ones. This consequently leads to the weakening of social cohesion, then distrust and social tensions.

Labor market policies are not to be isolated from broader social objectives. Economic growth and employment are not a goal in itself, but a feature of *good society* based on social cohesion, trust, justice and freedom. Accommodating global and EU market policies should happen in such a way that the process itself should not produce inequalities in the long term that are impossible to address in the long term. An example of a growing inequality which calls for an urgent practical policy measure is related to the regional disparities in the access to the labor market of young people. The problem of access to the labor market creates several negative consequences:

1. It reduces the chances of young people to find employment in underdeveloped regions slowing their transition to adulthood.
2. It makes young people dependent on their family, which leads to reproducing traditional practices and patriarchal and authoritarian value patterns.
3. It increases the migration towards developed centers, putting pressure on those centers to make additional investments in their otherwise underdeveloped infrastructure.

4. It leaves underdeveloped areas without human capital and, in the long-term, without the possibilities to improve economy, cultural life and social participation / cohesion in these areas.

We believe that the two proposed sets of measures can affect the reduction of the existing regional gap:

1. positive regional discrimination
2. dialogue between young jobseekers and companies

The first set includes measures that should be considered in the design of employment programs and youth strengthening programs, with a particular attention to the regional disparities. The measures would comprise disproportionate allocation of resources (i.e. underdeveloped and less developed areas would receive more resources). The second set of measures would consist of the creation of an Internet platform with the comprehensive job supply and demand in the labor market, as well as support during the processes of requalification, additional qualification, employment and job search.

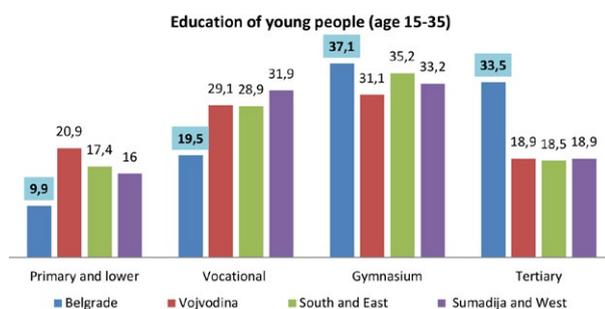
Locating the problem

Young people in Serbia make up 25.3% of the total population. There is relatively equal participation of young people in all regions although the youth distribution density is highest in the Belgrade region. Considerable inequalities in the labor market are manifested through regional disparities. The region of Belgrade, where the capital and the largest city in Serbia is, located is multi-privileged. This is demonstrated with the fact that the Belgrade region and the area of Novi Sad are almost only areas with the **positive migratory balance** of the young population. This means that most of them seek work right in these centers, during or immediately after completing education (Bubalo - Živkovic, Lukić, 2015: 77-78).

The educational structure is a good quality indicator of labor force. Higher educational attainment implies not only gaining higher qualifications, but also more flexible

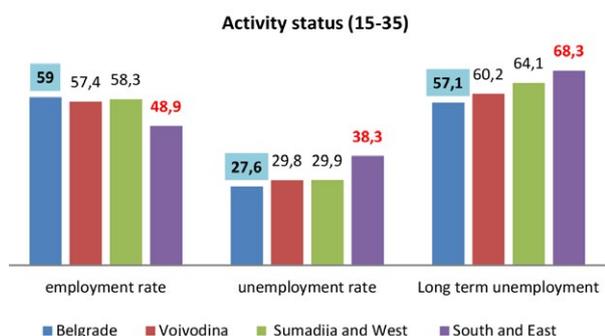
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labor force adaptable to changes that are brought by technological innovations. It consequently influences the allocation of investments and resources. When it comes to educational structure of young people who have completed education, a significantly more favorable situation is in Belgrade with almost double of those with tertiary education (33.5%) than in the other regions (around 18%). Also, the Belgrade region compared with the other regions is characterized by almost twice as lower participation of young people with only primary school or lower education. This region is distinguished by significantly better structure of the labor force within the young population in comparison with the other regions in Serbia which makes it attractive for investments. The key problem is that a significant number of highly educated young people from other regions are migrating towards Belgrade which, as a consequence, has regional disproportions in human capital.



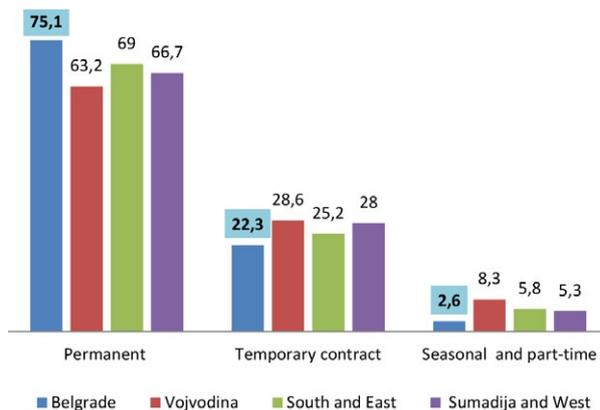
LFS 2014 (SIPRU), Stanojević, 2015

There are noticeable differences in the **labor market**, too. Centralization of highly educated labor force, state administration and, most importantly, economic activity, lead to the permanent migration of young people. Belgrade has a somewhat lower unemployment rate than other regions with a significantly lower rate of long-term unemployment (longer than 12 months). Data indicate that young people in the regions outside of Belgrade are less likely to find employment and more likely to be unemployed for a longer period of time. Besides, living in the regions of Central Serbia is accompanied by more risks for young people in terms of long-term unemployment.



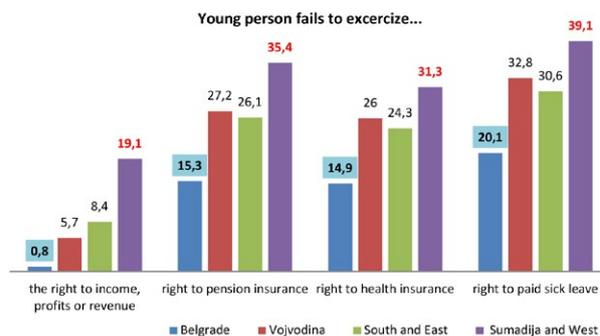
LFS 2014 (SIPRU), Stanojević, 2015

Not only are there more young employees in the capital, but their employment is also more stable. A permanent contract guarantees the certainty of income, job security and a greater likelihood of exercising workers' rights. The Belgrade region has the largest number of young people having jobs with permanent contracts (75.1%) and fewer of those with temporary contracts (22.3%). The Vojvodina region stands out as the region with relatively unfavorable employment structure, because it has the smallest number of permanent employment contracts for young people (63.2%) along with a significantly higher share of seasonal and part-time jobs (8.3%).



LFS 2014 (SIPRU), Stanojević, 2015

Due to the flexibilization of working arrangements dictated by a global neoliberal policy and its local variety represented with a quite unregulated labor market, young people who are entering the work environment have fewer chances to obtain their rights as workers. Even the rights guaranteed by applicable laws are not being obeyed. The most drastic regional differences concern the possibility to exercise the employment rights, i.e. the possibility to exercise the right to income, profits or revenue, pension and health insurance and paid sick leave. These rights are to the smallest extent exercised by the employed young population in the regions of central Serbia, and on the contrary, to the greatest extent in the Belgrade region. The most unsatisfactory situation is in the Sumadija region and in West Serbia where there is 35.4% of young employed people whose employers are not paying pension contributions for them, 31.4% of



LFS 2014 (SIPRU), Stanojević, 2015

young employed people do not have health insurance and 39.1% do not have a right to a paid sick leave. Insufficient market development results in a lower control and poor working conditions.

Current policies promoting youth employment lack a decentralizing approach

The problem of youth (un)employment finds its place in the strategies and action plans on the state level. Sets of measures and policies proposed can be comprehensive. However,

The impression is that these measures exist only in narrative form without clear indicators of their successful implementation and mechanisms estimating their efficiency.

Some of the documents that, to a certain extent, deal with the labor market and the position of young people in it are:

- National Strategy for Youth 2015-2025
- National Action Employment Plan 2016
- National Strategy for Employment 2011-2020

These documents outline active measures for the support of young people and their entry into the labor market. They fail to place a particular emphasis on the necessity of decentralization of the labor market and the participation of youth in it, as well as to address the risks and opportunities that current and future market developments may bring.

Two large issues – (de)centralization of the labor market and youth (un)employment - need to be considered in their complexity and interrelatedness with the aim of establishing more active policies to tackle them.

One of the systemic measures that has been in force up to now and, according to the *National Action Employment Plan 2016*, will be applied in the future, is **a subsidy model provided by the National Employment Service (NSZ)**.

- **WHO** qualifies to be a beneficiary of this subsidy? NSZ gives subsidies to **private entities/employers** who hire **unemployed individuals** who belong to **vulnerable groups** (where - besides Roma, refugees, persons with disability, residents of rural areas, uneducated persons, older citizens (50-64) - **young people** also belong) and who are **registered with NSZ**.

- **WHAT** characterizes the model? Subsidies are **one-off** and **positively discriminate** between municipalities based on their level of development (categorization of the development level proposed by the Law on Regional Development). Based on their developmental level, municipalities in Serbia are divided into four groups.

The NSZ model of subsidies proposes giving lowest subsidies to the employers hiring individuals in the most developed municipalities, while those who employ people in the least developed communities are entitled to higher subsidies.

- **The financial allocation** of subsidies looks as follows:
 - 150.000 RSD per one employed person in the first and second group of municipalities (most developed municipalities)
 - 200.000 RSD per one employed person in the third group of municipalities
 - 250.000 RSD per one employed person in the fourth group and in devastated municipalities (least developed municipalities)

- **Condition:** The employers who are awarded subsidies are obliged to **keep the new employees for two years on a permanent working contract**.

- **Results:** In 2014, the number of persons hired by employers who used this subsidy amounted 2690 (plus 110 individuals with disability), **in total 2800 employed individuals**¹.

However, the data does not show **the percentage of each respective vulnerable group** that benefitted from this measure.

- **Further observations:** The information on the **number of young people** who directly benefitted from this measure is not available. Information on **geographic distribution** would be helpful in assessing the efficiency of this measure on the local and regional level but it, too, is missing. Yet another question is how many of the newly employed individuals will remain at work when the two-year subsidized period runs out. An **indicator of the long-term effect of this measure** should also be introduced to enable a comprehensive insight into how successful this measure was.

- **Suggestions** (detailed suggestions in the following section):
 - Introducing mechanisms for monitoring geographic distribution of subsidies (such as

¹ Nacionalni plan zapošljavanja za 2016. godinu <http://www.minrzs.gov.rs/lat/dokumenti/zaposljavanje/plan-zaposljavanja>

introducing quota system that would enable proportional regional distribution)

- Defining a target percentage of young people to be employed in this manner and aiming to meet that target
- Measures should not merely be implemented, supported by the figures of those who benefited from them and then labeled as 'completed'.

Long term efficiency should be one of the primary goals of a measure and the pillar of the evaluation that follows the implementation.

Recommendations

Similarly to the EU project *Your first EURES job*, which aims to help young EU nationals 18-35 years old find a work placement (job, traineeship, apprenticeship) in another EU EFTA/EEA country, and helps employers find the workforce from another EU country for their hard-to-fill vacancies, we suggest developing a program which would aim to help young people (who are, during their studies, mostly based in university towns and economic centers of the country) find a job in another town/city in Serbia or return to their own home town or to start their own business.

The program would be implemented by an appointed unit (Agency) within the Ministry of Youth and Sport (MYS) and endorsed by all relevant ministries. The program could be named **My first job** and would be designed to provide support to both young people (potential employees) and employers throughout the whole process of application, selection and relocation. The program would be divided in two sets of policy measures:

1. positive regional discrimination
 2. dialogue between young jobseekers and companies
1. Positive discrimination of less developed regions in Serbia would be performed through several public projects and initiatives. Having in mind that chances for starting one's own business and getting employment are higher in more developed regions due to a more developed market, we believe that the positive discrimination has to be based on disproportional regional division of resources (more resources towards less developed regions) through the following measures:
 - start-up credit and subsidies for young entrepreneurs,
 - subsidies for companies which hire young people,
 - tax reductions for companies which hire young people,

- decentralization of apprenticeship, internship and training programs in public institutions and companies (e.g. specialization, continuing education and other).

Introduction of a quota system would enable disproportionate regional distribution of state subsidies and start up credits for young entrepreneurs. Less developed regions would be in this manner positively discriminated. Employers who want to hire young people in these regions would have a greater financial incentive and would be more motivated for such decision. The quota system would precisely define how many subsidies can be awarded per region. The number should not be only defined, but perceived as a target that ought to be achieved.

Benefits:

For job seekers – salary, experience, skills development

For companies – one-off subsidies or tax deductions

Work placement characteristics:

Minimum 2-year full time contract and paid position

Complying with the Serbian Labor Law and ensuring adequate protection and benefits

Decentralization of apprenticeship, internship and training programs through the liaison with the companies and institutions and encouraging their development of such programs: Representatives of the local NSZ and youth offices are in the position to carry out these activities and present the benefits of such programs to the local companies, since, being on the spot, they might know where potential chances for success are.

This way, it would be ensured that the new possibilities within these regions be opened, which would increase their competitiveness further and make them more attractive not only for young people to remain, but also for young people to immigrate there.

2. Within the second set of measures, we suggest developing a program related Internet website where resumes of young job seekers and vacancies offered will be uploaded. The website would also contain advice on how to write a CV and motivation letter and FAQs. The website can also serve as a platform for exchange of experiences, sharing advice or simply establishing contact with other young fellows who benefitted from this program.

The Program would offer:

- Pre-placement support:

- to employers - to identify their real needs and define their job vacancy
- to jobseekers - to register on the platform
- Recruitment and matching profile services (ensuring that the needs and expectations of both sides are met)
- Continual support to all beneficiaries of the program in the form of counselling if problems arise, organizing get-togethers and networking events.
- Besides supporting relocation into new places, the program would encourage return of young people to their home towns and would provide financial support based on their needs.
- Questionnaires to the beneficiaries of the program (employers and employees) to check their satisfaction with the program and hear points of criticism and suggestions for improvement
- Regional distribution of subsidies
- Monitoring whether all beneficiaries comply with the agreements made at the beginning
- When the two-year period draws to a close, contacting employers and discussing the employees' future prospects

We hope that the proposed measures will have a double impact on the decisions that young people make. Firstly, owing to the new opportunities that arose in their places of origin, more young people will, having completed their education, decide to return and start a career in some company or even start their own business. Secondly, we hope that young people who are already in these areas will not that easily decide for migration towards larger cities. Keeping young people in the less central and not so developed areas will result in the increase of the total human capital capacity in these cities and regions, which should then lead to a more equal distribution of opportunities and risks which the labor market carries along, as well as more equal opportunities for development and social cohesion.

Evaluation of the program

More sophisticated and long-term performance indicators for monitoring the success of the measures applied must be introduced. Young people who benefit from a certain program that concerns their employment should not be forgotten. Satisfaction surveys and questionnaires should be sent to all programs participants. The information on what was done successfully and what can be improved, as well as tracking of the career development of young people, at least in its initial stage, can foster new ideas for program improvements and developments of new programs. All in all, performance indicators of the programs developed can be:

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