

**MUTUAL LEARNING PROGRAMME:
PEER COUNTRY COMMENTS PAPER - SERBIA**

**How to Shift From Uneven Short-Term Forecast
Toward Long-Term Forecasts With the Participation of Relevant Key
Actors**

Peer Review on “The Ageing Population and
Educational Choices”
Finland, 14 - 15 June 2010

A paper submitted by Ljubica Spiric
in consortium with GHK Consulting Ltd and CERGE-EI

Date: 24/05/10



This publication is supported for under the European Community Programme for Employment and Social Solidarity (2007-2013). This programme is managed by the Directorate-General for Employment, Social Affairs and Equal Opportunities of the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment and social affairs area, as set out in the Social Agenda, and thereby contribute to the achievement of the Lisbon Strategy goals in these fields.

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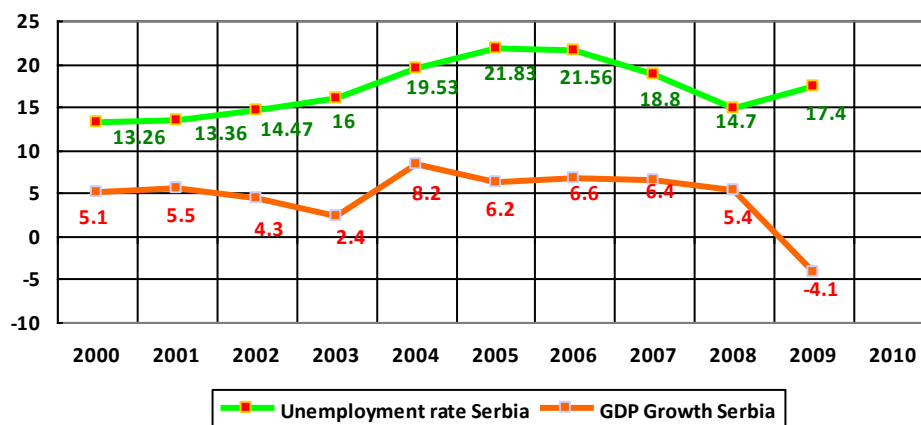
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1 LABOUR MARKET SITUATION IN THE PEER COUNTRY

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Serbia's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

1.1. Economic overview

Following political changes in October 2000, the Government of the Republic of Serbia has launched numerous reform programmes in order to accelerate the transition to a market economy. These reforms contributed to reversing the trend of declining industrial activity and deteriorating gross domestic product (GDP) that characterized the previous decade. In the period from 2001 to 2007, GDP grew at an average annual rate of 5.7%. Despite this, the level of GDP achieved in 2007 did not reach 60% of its 1989 level. After six years of relatively stable economic growth, the country achieved macroeconomic stability, but the last quarter of 2008 brought negative growth as a first sign of the economic crisis¹.



Consequences of the time lost in the 1990s, despite reform efforts coupled with the negative effects of the global economic crisis, seem to negatively effect the recent economic situation in Serbia. GDP per capita is among the lowest in Europe, new business growth has been too slow to compensate for job losses during the transition, a large stock of unemployed resulted in the expansion of the underground-informal economy and the first increase of poverty since 2000. Some 7.9% of the population live below the absolute poverty line. The picture is compounded by large external debt (which at 31 August 2009 amounted to EUR 21,725m), large numbers of insolvent businesses, difficulties in maintaining the dinar exchange rate, and weaknesses in the process of privatisation.

The first sign that Serbia is moving out of recession was given by the Statistical Office of the Republic of Serbia *Flash Assessment* on the April 30th 2010. According to their data, in the first quarter of 2010, real GDP growth, compared to the same period last year, is 1.0%. This is the first GDP growth after falling in four consecutive quarters in 2009. Seasonally adjusted data for the first quarter of 2010 shows an increase of 1.2% compared to the fourth quarter of 2009. Industrial production recovered, but it is still neither dynamic nor stable. Industrial production in March 2010, when compared to March 2009, increased by 2.7% and in relation to the 2009 average, it increased by 2.4%. In the period of January to March 2010, compared with the same period 2009, the industrial production increased by 2.8%.

¹ Kosanović R., Paunović S., *The influence of the world economic crisis in Serbia, the measures of the government, the role of the IMF and the trade union response*, South-East Europe Review, 3/2009 p. 315.

1.2. Unemployment and employment trends in Serbia

According to the *Labour Force Survey*² (LFS) conducted in October 2009, the unemployment rate in October 2008 was 14.7%. The unemployment rate had risen, according to the same source, to 17.4% in October 2009. However, according to the National Employment Service (NES), the unemployment rate in January 2010, calculated on the basis of the number of people who are registered unemployed, amounted to 26.50%³. In some municipalities in Serbia, the unemployment rate exceeded 50%, indicating that, in these municipalities, the number of unemployed people exceeds the number of those in employment.

The employment rate in October 2009 was 40.8%, some 3.4% lower in comparison to October 2008, according to the LFS.

The structure of employment has changed: employment has increased in the private sector, while the number of employees in state and socially-owned enterprises/institutions has decreased. Employment in the service sector has increased (similar to other countries in transition).

In terms of educational attainment, the unemployment rate is highest among high school graduates (26.81%) and persons with primary school education (27.73%). Unemployment among university graduates in the total number is low, representing 4.33% of registered unemployed persons, while unemployment for non-qualified persons is 7.9%. Although young people in general have a problem in integrating into the labour market, their situation in Serbia is particularly difficult. Serbia's youth participation and employment rates are low. Approximately one half of young people who are interested in working cannot find a job. Educational attainment does not reduce the rate of unemployment. The unemployment rate is 52% for women aged between 15 and 24 years old. When young people do find work, it is more often in the informal sector.

Structural unemployment (the mismatch between labour force supply and demand) is one of the characteristics of the Serbian labour market, manifested through the simultaneous occurrence of a high unemployment rate and vacant posts (due to an inadequate qualification structure).

1.3. Population structure

It's worth noting the unfavourable long-term demographic trends in Serbia and an increasingly ageing population. Young people represent a low and declining share of the total population, while the elderly population is high and is growing. With 16.8% of the population being older than 65 years, Serbia ranks among the five countries with the highest share of elder persons⁴. During the 1990s, there has been an increase in poverty and a change in population structure, not only because of a large inflow of refugees and internally displaced persons, but due to the emigration of the younger population and an increase in old, ill and dependant persons. All of these changes are influencing labour supply, in a quantitative and qualitative way. The lower child and higher old age dependency ratios will affect labour supply: in absolute terms, the shrinkage of the working age population will imply a loss of 200,000 workers by 2020.⁵

² According to the *Labour Force Survey* (LFS), unemployment rate is presenting the share of the unemployed in total active population (employed and unemployed) while employment rate presents the percentage of the employed in total population aged 15 and over.

³ *Unemployment and Employment in the Republic Of Serbia* Monthly Statistics Bulletin No 90 February 2010.

⁴ The trend among this age as a proportion of the total population in central Serbia amounted to: 1950, 5.5%; 1970, 8.8%; 1995, 13.8%; and 2000, 16.1%. It is estimated that in 2021, the figure will rise to 21.5%; and, by 2051, even to 31.3%. According to estimates the median age of the population (38.9 years old in 2000), will be 44.9 years by 2021; and 52.1 years by 2051. Penev, G., *Demographic changes in Serbia 1991-2002*, Pregled SCG, Beograd, XLVIII, No. 1/2004.

⁵ M. Arandarenko, *Transition from education to work. Serbia Country Report*, European Training Foundation, Turin, 2007.

The findings from recent surveys indicated that poverty is the main issue for the elderly population in Serbia. The poverty rate among the elderly is 9.6%.⁶

2 ASSESSMENT OF THE POLICY MEASURE

There are no similarities between Finland and Serbia in regard to the policy measure presented. However, both countries share an ageing population.

Unlike Finland, Serbia:

- Does not have forecast / foresight / anticipation method(s) at the central / national level and there is a lack of cooperation between the key actors;
- Lacks sufficient capacity in the National Employment Service NES in analysing and forecasting labour market trends in the necessary categories of data according to ILO and Eurostat standards;
- Lacks sustained collaboration between: employment and education actors and stakeholders involved in forecasting education and training needs.

The ageing population and generation change are discussed within the scientific community but there are no projects or programmes which would raise awareness of this change among the broader society.

2.1. Forecast of labour supply

In Serbia there are numerous forecasting and anticipation activities, oriented towards labour demand and education and training needs. These activities are mostly EU, other donors and nationally funded projects. A comprehensive approach to forecasting, including involvement of all of the key players and social partners, coordinated nationally, is lacking.

The main national sources used to determine labour supply are data issued by the Statistical Office (LFS, industry, trade, population statistics, employment and earnings etc.) and by the NES (Monthly Statistics Bulletin, registered number of unemployed, gross number of job placements, financial costs of ALMPs etc.). The LFS is conducted on a yearly basis (since 1995). In 2004, the sampling, design and overall methodology were adjusted to meet the ILO and EUROSTAT standards. The survey covers between 17,000 and 18,000 individuals each year. The data are representative at the national level, for urban and rural areas, and for three main regions (Belgrade, Central Serbia and Vojvodina).

The role of the NES is particularly important for the collection of data on labour market trends at local and county level, since the standard surveys of the Statistical Office do not cover these levels sufficiently. In 2004 the NES started the process of reform and modernisation and the current strategic objective in this field is to encompass all ILO indicators and 90% of EUROSTAT indicators by 2010⁷.

In the absence of strong disaggregated data from national sources, forecasting activities have been performed through the project's surveys, aimed at assessing the state of the labour market in targeted regions by identifying trends on the local labour market. The surveys conducted were short term analyses of labour demand. Each project has had its own methodology, depending on the expertise provided. For example, the SIDA project Labour Market Institutional Capacity Building in Serbia, offered a methodology for periodic employer surveys. Support was provided to develop a method for labour market forecasting and its implementation, i.e. the identification of labour market situation (both actual and forecasted).

⁶ Rasevic, M., *The Poor Neglected Elderly in Serbia: a Challenge to Social Policy*, Social Thought 4/2009.

⁷ *National Employment Strategy 2005-2010* envisages, as the essential part of the NES reform, the development of monitoring and evaluation and development of adequate labour market information system.

In cooperation with the CARDS 2004 Employment Support Program, the foundation for the future labour market forecasting system was established. The Government's project *Forecasting Labour Market Trends* in 2009 was implemented in three pilot regions: Belgrade, Novi Sad and Nis. The project provided the methodology which, together with the methodology offered within the CARDS 2004 Employment Support Program, will be revised under the current assignment (see below) in order to define and set the methodology which is to be implemented across the entire NES. In the IPA project *Support to Unemployed and Human Resource Development 2007-2009*, two rounds of labour market research have been conducted in Belgrade and the Banat region. The research developed two specific indicators to identify the economic sectors which are most likely to require additional labour in the short term. The indicators identified employers' plans for employment and the employers' plans for restructuring. The most relevant conclusions of this recent research indicate clearly that regions differ in all aspects of the labour market and labour market development. Hence the recommendations from the OECD that 'it is vital that any information gathered is jointly "owned" by a number of different local institutions so that they have a common understanding of local assets, opportunities and threats', was taken into account in the ongoing IPA Project *NES Forecasting and Data Management 2010-2012*. This project is aiming to develop a national methodology for researching and forecasting labour market trends and establish a modern database of labour market trends, which meets the standards of similar information systems in EU Member States.

As well as regional NES branches, who are the main local actor in performing various forecast activities in pilot regions, it is worth mentioning other actors from the scientific community. The Economics Institute accredited as a scientific institute for scientific and research activities, since 2005 has issued a monthly bulletin *Macroeconomic Analysis and Trends and Economic Barometer* which analyses current economic trends, the effect of the macroeconomic policy measures and provides short term forecasts. As well a macroeconomic model has been developed by the Centre for Strategic Economic Studies "Vojvodina-CESS" of the Executive Council of Vojvodina, in cooperation with the Institute for Advanced Studies - IHS in Vienna⁸. This model produces macroeconomic forecasts.

2.2. Forecast of education and training needs

The adaptation of the education and training system to new competence requirements, is one of the central issues of the Vocational Education and Training (VET) reform processes in Serbia which started in 2003 under the CARDS Programme. However, the key drivers of the reform consolidated in the Vocational Education and Training (VET) Policy White Paper, fall short of introducing a competency-based approach and qualification system, envisaged through the National Qualification Framework (NQF). Problems in the education and training system could be improved through better alignment between education and the labour market. Many initiatives were undertaken in order to establish cooperation between education stakeholders and social partners in the process of developing the competences and skills needed on the labour market. Activities associated with the forecasting included, for example, establishing sector dialogue, workshops with employers' representatives who were involved in occupational standards and curriculum development, skills and regional level training needs analysis. However, the sustained collaboration between the world of labor and the world of education, as well as enhanced involvement of relevant stakeholders in forecasting education and training needs, are still lacking. However, the newly established Council for Vocational and Adult Education⁹ has a mandate to initiate a commission comprising all relevant stakeholders – unions, employer's representatives, schools association's representatives and other key actors - with the aim to establish a sustainable social dialogue as the basis for educational planning.

⁸ Project *Strategic Partnerships in Support of the Integrated Regional Development Plan (IRDP) of the Autonomous Province of Vojvodina*, Austrian Development Agency – ADA.

⁹ Established under recently adopted Law on Foundations of the System of Education and Upbringing.

2.3. Awareness of the generation change

Recent analysis using data from population censuses and other statistical sources, points out that a social response is required to improve the socio-economic position of the older population. The most important considerations are as follows: assuring economic security in old age; education on health including the psychological and social aspects of ageing and old age for the older population; creating conditions for older people to live in homes; the transformation and enhancement of work in the institutional care of older people; old people's homes and the development of nursing homes as a new form of institutional care for the elderly; health promotion, provision of adequate health protection and deepening resources for relevant research information.¹⁰

The key player responsible for social care services in Serbia is the 139 regional network of Centers for social care, that are under the jurisdiction of the municipalities.

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

The existing sectoral forecasts of future labour and skills needs do not take into account the fact that the population is rapidly ageing. This absence could lead to the conclusion that the measure reviewed is highly relevant to the Serbian case due to the demographic ageing that Serbia is facing. Also, there is no doubt that a long term forecasting model which leads to anticipating educational demand would be welcomed in Serbia. If the LT or VATTAGE forecast model could be applied in Serbia, there is a probability that the result might show a similar increase in demand for social and health services as is the case in Finland.

Also, according to the aforementioned overview of former and current projects and initiatives in the field of forecasting, it is evident that Serbia activities have focused on short term prognoses using a variety of methodologies. There is also an assumption that efforts in Serbia remain fragmented: data are not coordinated and data and practice is not shared or exchanged. The strength in the establishment of the measure reviewed is, at first sight, that the initiative should be initiated at a high level – e.g. from the Ministry, and shall be nationally/centrally coordinated.

In Serbia, inter-ministerial and cross-sectoral links need further improvements. From the Finnish example, we can see that cooperation in the new forecast setting requires a complex inter-ministerial structure with the clear distinction between commissioning and producing the forecast. The strong participatory culture and ownership in decision making is a key strength that Serbia perhaps could adopt.

The only concern regarding transferability of the measure is the question of existing institutional capacities in our country: is capacity sufficient to create and implement such a model and – are high level decision makers willing to launch an initiative of this type?

4 QUESTIONS

- What is the estimated cost of creating and implementing the LT and VATTAGE forecast models?
- What are the education scenarios used regarding the forecast?
- How do the outputs from the LT model compare with those generated by VATTAGE?
- Is poverty an issue for the older population in Finland, and if it is, how is tackled?

¹⁰ M. Rausevic, B. Mijatovic, *Towards Satisfying the Needs of Older Population Sociological Overview* vol. XXXVIII (2004).

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
<ul style="list-style-type: none"> • GDP per capita is amongst the lowest in Europe • GDP fell for four consecutive quarters during 2009, though GDP grew in the first quarter of 2010, suggesting that Serbia is on its way out from recession • New business growth is too slow to compensate for high unemployment, low employment and expansion of the informal economy • Some 7.9% of the Serbian population lives below the absolute poverty line
Assessment of the policy measure
<ul style="list-style-type: none"> • A central / national level forecast does not exist in Serbia, Also, there is a lack of cooperation between the key actors • Lacks sustained collaboration between: employment and education actors and stakeholders involved in forecasting education and training needs. • There is a lack of institutional capacity in the analysis and forecasting of labour market trends linked to the ILO and Eurostat standards • There are no projects or programmes which would raise awareness about the ageing population issue
Assessment of success factors and transferability
<ul style="list-style-type: none"> • The measure is highly relevant to the Serbian case because it links to demographic ageing • High levels of support for the initiative is positive • Participatory approach with the clear distinction between commissioning and producing the forecast • Concerning transferability, two questions emerge: <ul style="list-style-type: none"> – Is there the institutional capacity to create and implement such a model? – Would high level decision makers be willing to launch an initiative of this type?
Questions
<ul style="list-style-type: none"> • What is the estimated cost of creating and implementing the VATTAGE forecast models? • What are the education scenarios used regarding the forecast? • How do the outputs from the LT model compare with those generated by VATTAGE? Is poverty an issue for the older population in Finland, and if it is, how is tackled?