



# **LOCAL EMPLOYMENT PARTNERSHIP IN REPUBLIC OF SERBIA CASE STUDY: SOMBOR**

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## Foreword

This analysis is part of a larger project to support RCC in managing the mutual learning activities among Western Balkan economies under the Employment and Social Affairs Platform (ESAP). ESAP is a regional project financed by the European Commission and jointly implemented by RCC and ILO in Albania, Bosnia and Herzegovina, Kosovo\*<sup>1</sup>, Montenegro, Serbia and the Former Yugoslav Republic of Macedonia. The project, which began its implementation in 2016 and lasts for 3 years, aims to strengthen regional cooperation and institutional capacities of national administrations, employers' and workers' organizations, enabling them to develop and effectively implement labour market and social policy reforms in their EU enlargement process.

The issue in focus of this particular peer review is the evaluation of local employment partnerships (LEPs), by selecting 2 successful local employment partnerships in Bosnia and Herzegovina. As a result of the assignment, a national report for Bosnia and Herzegovina and 5 short reports are prepared for the other Western Balkan economies. Based on these national and regional analyses, a peer visit will be organized in Bosnia and Herzegovina whereupon officials from the Western Balkans will visit the selected municipalities and exchange views and experiences with the selected partnerships in Bosnia and Herzegovina. The aim of this research is to develop a standardized format for LEP reporting and analyses. It should not solely include the final status of outputs and immediate objectives, but also portray the factors contributing to or hindrances that affect the achievement of results. Furthermore, the aim is to illustrate how the intervention was managed, identify what could have been done differently and what methods or strategies can be replicated in other technical cooperation activities. Following the reports, an inclusive process of consultation among stakeholders, implementing partners and constituents should take place.

The purpose of this activity is to peer review different dimensions of LEP functioning (design, process and results). It addresses the policy performance of selected LEPs in a systematic and objective manner in terms of relevance, effectiveness, efficiency and strategic approach. The evaluation assesses the relevance of the approach, and is based on the following goals:

- to analyse the approach as well as to identify the extent to which the LEP has defined and approached its planned objectives,
- to identify the extent to which its strategy has proved efficient and effective,
- to identify the extent to which an anticipated long-term impact and sustainability can be expected, and
- to identify and document substantive lessons and good practices.

The peer review of different practices should be used as a knowledge base for developing future LEPs in Bosnia and Herzegovina, and in turn the Western Balkans region. A thematic evaluation of the Local Employment Partnerships as structural policy instruments

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<sup>1</sup> \* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

is planned. The following elements and topics will be the consultants' focus throughout the research.

## **Summary**

The law on employment and unemployment insurance envisages the creation of Employment Partnerships which at local, or provincial levels can be established by local government. The Local Employment Partnership is a counselling body which provides opinions and recommendations to local government on issues relevant to employment field, such as:

- 1) Employment plans,
- 2) Active labour market measures and programmes,
- 3) Regulations in the field of employment,
- 4) Other issues related to employment field.

All local communities are motivated to participate in the implementation of local employment policy through available national funds, but also to reallocate some of locally available funds into employment. This approach was welcomed by local governments, which decided to take part in employment issues, and compared to 10 local governments which were interested to participate in 2010, the number rose to 121 local governments or 70% of total number (174) in 2018.

There are two models of local employment action plan (LEAP) financing. The competent authority of local government secures the total amount of necessary funds, implemented through technical cooperation with the National Employment Service (NES) (Agreement on technical cooperation with NES for LEAP implementation). In this case, the local government is fully responsible for the implementation, monitoring and evaluation of LEAP. The second one is more attractive to local communities, and it is co-funding of the active employment policy programmes and measures envisaged in LEAP with funds from the budget of Republic of Serbia and the budget of local government.

NES and the local government sign an agreement on mutual rights and obligations during the active labour market measures (ALMM) implementation that regulates the type of programme or measure, amount of funds per programme/measure, public calls, admission and processing of requests, approval of fund decisions, transfer of funds, contractual issues with beneficiaries, and monitoring of ALMM implementation.

## Introduction

The unemployment rate in Serbia decreased to 11.90% in the second quarter of 2018 from 14.80% in the first quarter of 2018. It averaged 17.51% from 2008 until 2018, reaching an all-time high of 25.50% in the first quarter of 2012 and a record low of 11.80% in the second quarter of 2017.

Youth unemployment rate in Serbia increased to 33.30 % in the fourth quarter of 2017 from 28.80% in the third quarter of 2017. The youth unemployment rate in Serbia averaged 42.13 % from 2008 until 2017, reaching an all-time high of 54.20 % in the second quarter of 2014 and a record low of 28.50 % in the third quarter of 2016<sup>2</sup>.

Graph: Serbia Unemployment Rate

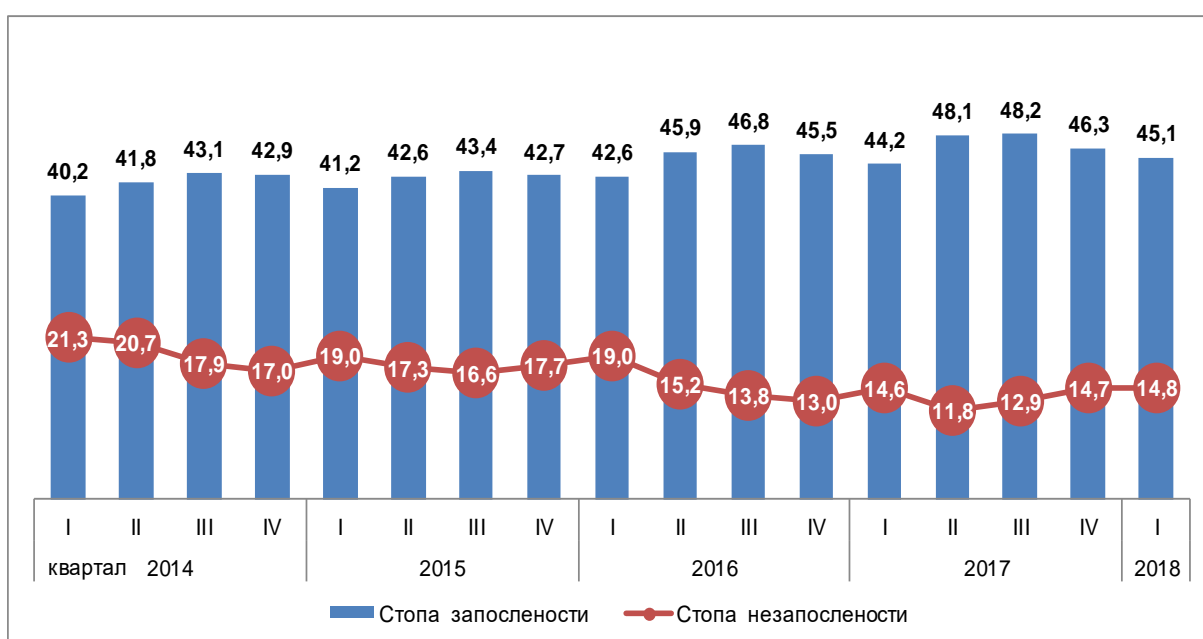


Table: Serbia Labour Market Key Indicators

	2018	Unit
<u>Unemployment Rate</u>	14.80	percent
<u>Employed Persons</u>	2,688,300	
Formal Employment	2,188,200	
Informal Employment	500,100	
<u>Unemployed Persons</u>	594,100	
Average Wage	50,377	RSD/Month

<sup>2</sup> Trading Economics, available at: <https://tradingeconomics.com/>. Based on official sources Trading Economics provides its users with information for 232 countries including historical data for more than 300.000 economic indicators.

Average Wage	425.69	EUR/Month
<u>Minimum Wages</u>	285.41	EUR/Month
<u>Population</u>	7.00	Million
<u>Retirement Age Women</u>	62	Years
<u>Retirement Age Men</u>	65	Years
<u>Employment Rate</u>	45.10	percent
Youth Unemployment Rate	33.30	percent
Inactivity Rate	47.1	percent

Sources: Labour Force Survey (the first quartile 2018), Statistical Agency of Republic of Serbia

Sombor is a city located 40 miles southwest of Subotica, or 60 miles northwest of Novi Sad, in the West Bačka District, occupying a surface of 1,178 m<sup>2</sup>, one administrative centre and 15 villages. On the west side of Sombor, river Danube creates a natural border with the Republic of Croatia and the European Union, on the north it borders with Hungary, also an EU member and on the east Telecka plateau, while its south opens to central Serbia. According to the Statistical Office of Republic of Serbia, in 2016, the total number of inhabitants in Sombor was 81.401, indicating a 5% decline in population compared to the 2011 Census, when Sombor had 85.903 inhabitants.

According to the Statistical Office, an average salary per employee in October 2017 was 38.410 dinars (around 325 EUR), which is lower than Vojvodina Region average (45.341 dinar = 384 EUR) or Republic Serbia (47.276 dinar = 400 EUR).

In May 2018, this municipality had 5,377 unemployed persons, of whom 2,211 (41,12% women) and 3,166 men (58,88%). A labour market analysis confirms that a great majority of unemployed belongs to disadvantaged groups (hard-to-employ), such as disabled, 50+, women, persons from rural areas, young people, long-term unemployed which require carefully designed active labour market measures that will target the needs of these groups. The educational background of the unemployment structure was not ready available.

## **Organizational Structure**

### **Legal Status**

The Law on employment and unemployment insurance<sup>3</sup> envisages the establishment of Employment Councils at the local level. The Law also envisaged that the municipalities may prepare and adopt Local Employment Action Plans that must be in line with the National Action Plan for Employment that the ministry in charge of employment adopts every year. The National Employment Action Plan (NEAP) represents the basic instrument for the

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<sup>3</sup> Official Gazette RS, No 36/09, 88/10, 38/15, 113/17, and 113/17

implementation of active employment policies and as such defines employment policy goals and priorities as well as active employment policy programmes and measures for the following year. NEAP provides a list of active labour market measures and programmes that can be co-financed by the ministry in charge of employment within the co-financing of Local Employment Action Plans. The preconditions for financing, defined in NEAP for 2016 are: established local employment council, adopted LEAP, more than half of funds needed for financing of measure/programme secured, harmonized programmes and measures with the priorities and objectives of local economic development and local labour market, in line with LEAP, NEAP and Autonomous Province of Vojvodina EAP.

Employment Partnerships at local or provincial levels can be established by the local government. The Local Employment Partnership is a counselling body which provides opinions and recommendations to the local government on issues relevant to employment field, such as:

- Employment plans,
- Active labour market measures and programmes,
- Regulations in the field of employment
- Other issues related to employment field.

In line with the Law, the competent authority of local government can, if Local Employment Partnership agrees, endorse a local employment action plan, representing an annual overview of programmes and measures of active employment policy at local level (as a response to identified issues, needs and opportunities of local labour market) and integral part of local economic development policy.

The local employment action plan serves the local government in:

- Better and more detailed identification of issues, needs and opportunities of local labour market,
- Coordination of key elements of LEAP and/or integration in local strategic framework,
- Preparation of adequate support within other areas of local economic development.

All local communities are motivated to participate in the implementation of local employment policy through available national funds, but also to reallocate some of locally available funds into employment. This approach was welcomed by local governments which decided to partake in employment issues, and out of 10 local governments which were interested to participate in 2010, the number rose to 121 local governments or 70% of the total number (174) in 2018. The positive trend is visible if we analyse trends:

- 1) 2010: Local Employment Action Plan implemented in 10 local government units;
- 2) 2016: Funds from the Serbia's budget approved to co-fund local employment action plan programmes and measures in 97 local government units. An Agreement on mutual rights and obligation in the implementation of ALMM was signed by NES with 84 local government units, while 13 have dropped out. NES signed technical support agreements/contracts with 54 units. In this way, 3.308 unemployed were involved in ALMM.
- 3) 2017: 118 requests were approved. Out of 115 agreements signed, 109 were successfully complete. 6.279 unemployed were included in ALMM. NES concluded

technical support agreements with 43 local government units. In this way, 2.633 unemployed were involved in ALMM.

- 4) 2018: 115 local action employment plans were approved (out of 121 submitted requests).

## **Membership**

The Employment Partnership consists of local government representative, representatives of Union and Employers Association, National Employment Service and employment agencies, various employment related associations, or associations addressing the needs and interests of unemployed (disabled, minorities, veterans, women, youth etc.) and employment experts.

Sombor Employment Partnership consists of following members:

1. Representative of local government;
2. Representative of National Employment Service;
3. Representative of Chamber of Commerce;
4. Representative of Union;
5. Representative of Association of veterans and disabled veterans 1990;
6. Representative of Association „Women alternative“.

Other associations dealing with specific groups (disabled, minorities, women, and youth) can also take part in the Partnership, but do not have a right to vote.

Apart from the National Employment Service (NES) Branch Sombor, which implements employment policy at city level and the Employment Partnership, the Mayor established also a commission for LEAP implementation, as a counselling body that provides opinions and recommendations to the founder on employment policy, focusing on employment plans, active employment programs, regulations and other employment related issues. ALMM are implemented by the local administration of Sombor, the commission for LEAP implementation and the Employment Partnership in cooperation with NES and other institutions, organization and employment associations.

## **Strategic approach**

### **Goals and priority areas**

According to the law, the local government or a competent authority such as Local Employment Partnership can prepare and endorse a local employment action plan that has to be in line with the National Employment Action Plan (NEAP), which is endorsed each year by the Ministry of Labour, Employment, Veterans' and Social Issues.

NEAP represents the key instrument to implement active employment policy and as such defines the objectives and priorities of employment policy, employment programmes and ALMM for the following year. Moreover, NEAP provides a list of active employment measures that can be co-funded through the Ministry within local employment action plans.



LEAP consists of the following measures in 2018<sup>4</sup>:

1. Public works in duration of 4 months, in rural areas aiming to improve the environment;
2. Self-employment of unemployed through start-ups, with a requirement that a founder is a full-time employee of the company;
3. Employment subsidies for disadvantaged groups: young people up to 30 years of age (any young person, young people without parental care, veterans' children), 50+, laid-off workers, Roma, disabled, social aid users;
4. Vocational apprenticeship programme for on-the-job training of unemployed in their field of education, gaining knowledge to gain state license exam.

### Financing

There are two models to implement LEAP:

- 1) Financing active employment policy programmes and measures envisaged in LEAP through local government budget, and
- 2) Co-funding active employment policy programmes and measures envisaged in LEAP from the budget of Republic of Serbia and budget of local government.

City Sombor has submitted a request to participate in the ALMM programme that will co-fund subsidies for self-employment and subsidies for unemployed (disadvantaged groups) and the request has been approved by the Ministry of Labour, Employment, Veterans' and Social issues.

The funds for ALMM from LEAP are planned in City Sombor's budget for 2018 in the total amount of 17.800.000 dinars (or 150.840 EUR). The fund distribution is as follows:

(EUR)

No.	Active employment policy measure	City of Sombor	Number of beneficiaries	Cost per beneficiary
1	Public works in duration of 4 months, in rural areas aiming to improve the environment	30.505	23	1.326
2	New employment through subsidies to employers who open new jobs for registered unemployed	61.046	48	1.271
3	Self-employment of unemployed through start-ups, with a requirement that a founder is a full-time employee of the company	38.153	25	1.526
4	Vocational apprenticeship programme for on-the-job training of unemployed in their field of education, gaining knowledge to gain state license exam	21.193	15	1.412

<sup>4</sup> Lokalni akcioni plan zapošljavanja Grada Sombora za 2018.godinu, januar 2018.godine

	Total	150.897	111	1.359
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All measured defined in LEAP could not be approved, due to Republic of Serbia's priorities, but rather two out of four, in a total amount of 11.700.000 dinars, or app. 99.167 EUR. Merging of funds by Government of Republic of Serbia, the total budget to implement LEAP is as follows:

(EUR)

Br.	ALMM	City Sombor	Republic Serbia Budget	TOTAL FUNDS	Number of beneficiaries	Cost per beneficiary
1	New employment through subsidies to employers who open new jobs for registered unemployed	61.046	50.856	111.902	73	1.532
2	Self-employment of unemployed through start-ups, with a requirement that a founder is a full-time employee of the company;	38.153	29.666	67.819	40	1.695
	<b>TOTAL</b>	99.199	80.522	179.721	113	1.590

44.8 % of funds for LEAP would be secured through the budget of Republic of Serbia, while the remaining 55.2 % would be secured by City Sombor. The costs per beneficiary increased by 15% after funds were merged.

### **Monitoring and Evaluation**

NES and local government signed an agreement on mutual rights and obligations during the ALMM implementation that regulates the type of programme or measure, amount of funds per programmes/measures, regulates public calls, admission and processing of requests, approval of fund decisions, transfer of funds, contractual issues with beneficiaries, monitoring of ALMM implementation.

Monitoring contractual obligations is performed by NES branch offices, in line with individual programme or ALMM procedures, and in line with the signed Agreement.

Such an Agreement in ALMM implementation with City Sombor (LEAP) is being implemented at the moment. Also City Sombor signed an Agreement regulating mutual rights

and obligations within ALMM – LEAP technical support for public works that are being implemented.

In practice, the implementation of Employment Action Plan envisaged in LEAP, in most cases is performed by NES, thus NES in fact follows contractual obligations between NES/local government and beneficiaries (unemployed/employer). In this way, the easiest monitoring mechanism is that the local government receives administrative data on employment action plan from the NES branch office, once contractual obligations have been fulfilled.

If outcomes are monitored only through administrative data of NES, this will take into account only formal employment. However, if the local government is interested to include data on informal employment, then an additional survey can be conducted.

The purpose of monitoring LEAP is two-fold:

- 1) To provide support to those in charge of implementation of employment action plans, through regular and systematic status confirmation,
- 2) To confirm the status of individuals who were involved in employment action plan, in order to determine whether a specific measure/employment action plan made a positive impact on their employment path.

Data for monitoring are collected periodically and represent the basis to report to local government and national body (the ministry in charge) on total effects (including target groups) and their success once each measure or action plan is complete.

The action plan envisages detailed monitoring and reporting activities, which are the responsibility of NES – branch offices Sombor and LEP staff. City Sombor Employment Partnership is in charge of delivering a report at least once a year, if not more frequently to the Mayor.

## **Conclusions**

One of the best models of employment policy creation in the region exists in Serbia, where activities are in line with specific needs and potentials of the local labour market. In this system, an important role has been played by LEAP members, whose role is to identify problems, needs and opportunities of local labour markets, determine how employment policy needs to improve and achieve social cohesion through a combination of approaches.

It is important to continue the promotion of LEAP and municipal participation into the development of Local Employment Plans, as unemployment is not a problem that should be addressed only by higher levels of government. One of the most efficient promotional mechanisms is advocating best practices, including website development, and database of all local employment plans, and reporting documents. That might increase interest, but also quality of LEAP, which is not assessed at the moment.

Although NES has well-developed capacities for monitoring and evaluation, at the local level they should be further developed, as local communities might have different reporting procedures, and might require analytical approaches in designing measures for the future. There is a lack of interpretation of labour market information and translating this into employment policy priorities. In this respect, an effort should be made to ensure all latest

ALMP impact assessments and recommendations for improvement are continuously shared with the municipalities, so that they may take advantage of the lessons learnt, but also disseminate good practices more effectively.

Local employment policy making and targeting of the disadvantaged should be supported through the implementation of already existing guidelines for evaluating LEAPs and approving co-financing and more thoughtful definition of target groups and selected ALMPs for co-financing. NES should be encouraged to move from massive employer-centred and expenditure driven ALMP implementation system towards fewer, well selected participants matched to tailor-made ALMPs. The selection should be based on individual counselling, while measures identified in the individual employment plans. This will for sure slow down the implementation of activities in terms of volume, but at the same time NES would maintain its important role in the labour market and the final impact on the target groups would be greater.

## **List of abbreviations**

**ALMM** – Active Labour Market Measure

**ALMP** – Active Labour Market Policy

**ESAP** – Employment and Social Affairs Platform

**LEAP** – Local Employment Action Plan

**LEP** – Local Employment Partnership

**NEAP** – National Employment Action Plan