

The City Strategy in the United Kingdom: does the United Kingdom example offer possible solutions for the future?

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Introduction

In the Republic of Serbia there are no special and separate employment programmes designed at local level, which could be compared to the UK City Strategy. Although there are considerable regional disparities, the process of creation of special regional development strategies and employment strategies at regional level are yet to be initiated and undertaken, as well as activation of social partners in the employment, education and economic development at regional level aimed at reduction of unemployment level and therefore poverty and social exclusion. The drafting of the Law on Decentralisation is underway, the adoption of which is scheduled for the end of 2009. The Law is intended to widen the scope of activity and competence of the local authorities. Also, the development of the Strategy on Corporate Social Responsibility is ongoing, which needs to promote social role of well performing businesses and companies and involve them in the process of problem-solving for those categories of population that are at high risk from social exclusion and poverty. Therefore, the experiences from the UK acquired within the City Strategy programme are highly appreciated and valuable as guidelines for future action. The remainder of the text contains short excerpts of the National Employment Action Plan for 2009, including policy measures complementary to the City Strategy actions – such as employment programmes for persons with disability, long-term unemployed, etc.

The National Employment Action Plan for 2009 (hereinafter: NEAP) is to implement the National Employment Strategy 2005–2010 (adopted by Government Conclusion dated 14 April 2005) and achieve the set priorities of active employment policy in the Republic of Serbia in 2009.

Active employment policy priorities and objectives flow from the National Employment Strategy 2005–2010 and correspond to the measures defined in the Government Programme of Measures for Mitigating the Global Economic Crisis Impact, adopted at the 55th Government session held on 29 January 2009, as well as to the results achieved through the National Employment Action Plan 2006–2008 (*RS Official Gazette* No 45/05).

In view of the above, the set priorities of active employment policy in 2009 are as follows:

1. Preserving the employment level of 2008 and resolving the labour status of redundant workers;
2. Raising formal employment in the private sector and reducing regional disparities;
3. Matching labour market supply and demand through active employment policy measures;
4. Promoting social dialogue and improving the efficiency of the National Employment Service.

1. The macroeconomic framework

The National Employment Strategy 2005–2010 is based on the European Employment Strategy of 1997 and the EU Lisbon Strategy 2000–2010, the Bucharest Declaration and the Recommendations of the European Council and International Labour Organisation. It follows the EU Employment Guidelines, setting national objectives and targets in most of the fields of EU targets and objectives, defines specific directions for solving the problem of unemployment in the current phase of transition of Serbia and offers solutions appropriate for development needs and available human and financial resources.

Table 1: Employment rates

Employment rates	Overall rate	Workers aged 55-64
EU Lisbon targets 2010	70%	50%
EU 27 in 2007 (Eurostat)	65.4%	44.7%
Serbia in 2007 (LFS)	51.5%	33.5%
Serbia in 2008 (LFS)	53.3%	37.9%

2. Reducing regional disparities

Regional disparities in the Republic of Serbia are the highest in Europe. Differences in development levels of different parts of Serbian territory (average wage, national income, migration level, employment) are the highest in Europe and tend to grow year after year.

The final stage of transition and economic restructuring is expected to widen the differences between certain regions in the Republic of Serbia. Experience elsewhere indicates that economic restructuring tends to favour the state capital and regions which already have the best infrastructure, with unfavourable consequences of restructuring being felt most in industrial and mining centres, particularly in towns reliant on one particular factory.

The first serious step towards resolving the problem of regional disparities was made by adopting the Regional Development Strategy of the Republic of Serbia 2007–2012 in January 2007. The document was created with the aim of resolving socio-economic discrepancies between different parts of the country through balanced regional development. It is based on experiences of successful regional development policies of the EU member states. Its main objective is to stimulate balanced regional development of the Republic of Serbia.

3. Serbian employment policy – response to EU Guidelines

Labour Market Situation

The attained macroeconomic stability and more favourable microeconomic situation in recent years have had a positive impact on labour market developments; however, in spite of positive steps, the overall employment situation is still unfavourable.

Table 2: Employment and unemployment rate development since the commencement of implementation of the National Employment Strategy 2005–2010

Year	October 2005	October 2006	October 2007	October 2008
Total unemployment rate (15–64)	21.8%	21.6%	18.8%	14.7%
Total employment rate (15–64)	51.0%	49.9%	51.5%	53.3%

The principal employment problems faced by the Republic of Serbia are:

- Shortage of jobs as a result of insufficient economic activity;
- Low employment.

The unemployment rate dropped from 18.8% in October 2007 to 14.7% in October 2008, and the number of economically inactive persons fell from 584,216 to 457,205. However, unemployment decrease is due primarily to a change in the LFS questionnaire, where additional questions enabled covering borderline cases, such as contributing family workers or informally self-employed individuals, more comprehensively. Had the questionnaire not been changed, the unemployment rate would have been about 17.7%. Furthermore, according to the LFS, employment rate in October 2008 was 53.3%, i.e. it was higher than that from October 2007 by 1.8 percentage points or by 3.5%. High employment growth was due to an increase in low-quality jobs, including those in the informal economy, agriculture, self-employment and contributing family workers, while the number of “good” jobs, i.e. registered paid jobs in the private and public sectors, was stagnating and there was no actual employment growth in 2008.

Serbian labour market analysis in 2008 indicates that, in spite of the fact that decline of overall employment has been halted and that the high unemployment rate has begun to decline, labour market is still characterised by the same features as in the recent period, namely:

- Mismatch between labour force supply and demand;
- High share of long-term unemployed;
- High inflow of redundant workers from enterprises undergoing restructuring and privatisation;
- Unfavourable structure of the unemployed by age;
- Unfavourable structure of the unemployed by qualifications;
- High youth unemployment rate;
- High share of women in total unemployment;
- High regional labour market discrepancies;
- High numbers of people working in the grey economy;
- Low labour force mobility;
- High numbers of the unemployed belonging to disadvantaged groups (persons with disabilities, the Roma, refugees and internally displaced persons etc.).

The mismatch between labour force supply and demand is reflected in the fact that a number of jobs reported by employers remain vacant, while on the other hand considerable numbers of people with qualifications in low demand are available. At the same time, labour force surplus and deficit are regionally-specific and, even though there are individuals with particular occupations in Serbia, jobs remain vacant owing to very low geographical mobility of the workforce.

Long-term unemployment remains a major problem. The reduction in unemployment has not had any significant impact on average duration of searching for work, which is still quite long: 17.9% of the unemployed have been seeking employment for 4–6 years, 14.4% – between 2

years and 3 years 11 months, while a mere 3.2% of the unemployed have been seeking employment for less than one month. Long duration of unemployment leads to decline of motivation and skills and lower employability.

Redundant workers are still a prominent problem, considering that the privatisation of enterprises and public sector organisations has not been completed, and forced liquidations are anticipated in 2009, leading to more redundancies and higher unemployment. The increase in the number of this group of the unemployed will be accelerated in 2009 owing to the global economic crisis, as employers will resort to downsizing due to economic difficulties. In addition to appealing for employers to focus all efforts on preserving productive jobs and maintaining employment, the Government has also prepared a programme of measures for mitigating and overcoming the effects of the global economic crisis.

RS Budget for 2009 provides RSD 7,210,000,000.00 for resolving the labour status of redundant workers; this should cover some 18,000 workers.

The breakdown of the unemployed by age is very unfavourable. Of the total number of 457,205 unemployed persons, 27% are over 45 years of age, 89,605 (19.60%) are between 45 and 54, and 33,845 (7.40%) are between 55 and 64. The unfavourable age structure was exacerbated by the inflow of redundant workers from enterprises undergoing privatisation, as employers tend to lay off predominantly older workers.

The breakdown of the unemployed by qualifications is unfavourable as well and constitutes one of the priority issues to be addressed in 2009. Skilled unemployed people account for 80.16% of total unemployment, and unskilled for 19.84%. Among the unemployed, the most numerous are secondary school leavers, who account for 68.97% of total unemployment. In terms of educational levels, the unemployment rate of secondary school leavers is the highest (16.7%), while it is 9% for those with university degrees.

Addressing the current situation, in particular the issues of unfavourable qualification structure of the unemployed, obsolete knowledge and inadequate skills, primarily requires reform and updating of the educational system, especially secondary vocational education and adult education systems.

Youth unemployment. Youth unemployment rate (15–24) is 37.4%, which is considerably above the overall figure of 14.7% for working-age population (15–64). The number of unemployed youth between 15 and 24 years of age is 114,382, or 25% of the total unemployment. In addition, a considerable number of youth work in the grey economy and accept jobs below their qualification levels.

Women's unemployment is more pronounced than that of men. According to LFS of October 2008, there is a considerable gap between men's and women's unemployment rates. In the population over 15 years of age, men's unemployment rate is 12.1%, or below the overall unemployment rate of 14%, while women's unemployment rate is 16.5%. The difference in employment rates is even greater – it is 35.9% for women and 53.2% for men (in population over 15 years of age).

Regional disparities in terms of economic development levels are very pronounced in Serbia. The situation in southern parts of the country is more unfavourable in comparison to the north, and in rural areas compared to urban ones. Insufficient economic activity and shortage of jobs in some regions result in migrations of the workforce towards regions offering better employment prospects. For these reasons, programmes and measures of incentives for impoverished and underdeveloped regions are planned for 2009.

Grey economy. According to the Council of Europe estimate, about 38% of income in Serbia is generated by work in the grey economy, which indicates the scope of the grey economy/undeclared work problem and highlights the need to take steps in order to suppress it. In addition to intensifying the activities of institutions responsible for tracking grey economy, consistent enforcement of penalty policy will be promoted, as well as implementation of preventive measures, primarily incentives for employers that operate legally. The National Employment Service will, *inter alia*, engage in disseminating information to both employers and employees on the advantages of legal, registered work. Considerable assistance of social partners, especially trade unions and employers' associations, is expected in these activities.

3.1 Objectives and tasks in 2009

Active employment policy priorities in 2009 will be realised by achieving specific objectives and tasks, as follows:

1. Prevent unemployment and promote employment

- 1.1. Resolve labour status of redundant workers;
- 1.2. Assist the unemployed in active job search;
- 1.3. Include the unemployed in further education and training programmes;
- 1.4. Promote and standardise training programmes;
- 1.5. Match informal education with labour market needs;
- 1.6. Promote job creation and stimulate entrepreneurship and self-employment;
- 1.7. Promote and organise public works.

2. Provide prerequisites for youth employment

- 2.1. Draft and adopt Youth Employment Action Plan;
- 2.2. Implement activities envisaged by the National Strategy for Youth and Action Plan for its implementation 2009–2014;
- 2.3. Implement a joint programme "Support to Youth Employment Promotion and Migration Management.

3. Promote employment of hard-to-employ unemployed persons

- 3.1. Promote employment of persons with disabilities;
- 3.2. Promote employment of the Roma;
- 3.3. Promote employment of refugees and IDPs (int. displaced persons);
- 3.4. Promote employment of returnees under the readmission agreement;
- 3.5. Promote women's employment.

4. Strengthen the role of social partners and reduce regional disparities

- 4.1. Strengthen the social dialogue and build social partnership in addressing the issue of unemployment at all levels;
- 4.2. Implement Regional Development Strategy.

5. Reduce informal work (grey economy)

5.1. Promote decent work and stimulate entrepreneurs and employers to work legally.

6. Modernise and decentralise the National Employment Service

6.1. Improve the jobmatching function and activity;

6.2. Develop databases and information system;

6.3. Introduce and develop labour market forecasting system;

6.4. Efficient client-focused work organisation in the National Employment Service;

6.5. Improve labour market statistics and analysis methodology.

7. Structural and normative regulation of employment

7.1. Improve the legal framework in the field of employment;

7.2. Design the National Occupational Classification System in line with the International Standard Classification of Occupations – ISCO-08;

7.3. Strengthen the supervisory and control function of labour market institutions;

7.4. Strengthen the institutional capacities of the ministry competent for employment affairs – Employment Department and the National Employment Service.

4. Competences

Active employment policy measures are implemented by the Ministry of Economy and Regional Development, National Employment Service, Serbia Investment and Export Promotion Agency and Republic of Serbia Development Fund, in line with their respective competencies, as well as other public authorities, institutions and social partners designated as responsible parties in the Table of Objectives, Tasks and Activities in NEAP 2009 Implementation, enclosed herewith and constituting an integral part hereof.