International Labour Organization

In collaboration with
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COVID-19 and the World of Work

**Rapid Assessment of the Employment Impacts and Policy Responses**

# SERBIA

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## Rapid Assessment of the Employment Impacts and Policy Responses

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# Contents

# Key Messages

The decline in working hours during the second quarter (Q2) is equivalent to the loss of 510,000 full-time jobs. According to the ILO "nowcasting" model, which tracks declines in working hours resulting from lay-offs and other temporary reductions in working time, working hours in Serbia declined by an estimated 14.8 per cent during the second quarter. This is equivalent to approximately **510,000 full-time jobs** (assuming a 40-hour working week). Shorter working hours and "being employed but not working" (for example, where workers are put on temporary leave) contributed significantly to this decrease during the second quarter.[1] If the health crisis persists and employment retention programmes dwindle, however, the main driving factor in the coming months may be people being pushed into unemployment and inactivity. These variations suggest that a narrow focus on unemployment does not allow a proper assessment of the pandemic's impact on the labour market.

Wholesale and retail trade, accommodation, transport, food and beverages, service activities, forestry and logging, and crop and animal production top the list of sectors at high risk in terms of employment impacts. Based on an analysis of the specific labour vulnerabilities of all sectors (Annex 1) and the estimated impact of the crisis, this report identifies **eight sectors** in which workers and enterprises are severely affected. Jobs that were curtailed only temporarily during the lockdown are increasingly at risk, as the health crisis continues. In some of these sectors, people's own voluntary decisions about their behaviour as consumers and workers will be the main factor shaping the trajectory of aggregate demand during the reactivation phase, more so than government guidelines. In other sectors, such as the automotive sector, the decisions of large international manufacturers concerning their supply chains will make the difference in terms of net job creation.

In these eight sectors, over 700,000 workers are at immediate risk because of the characteristics of their jobs.[2] According to the analysis conducted on workers and enterprises at risk (Section 4.1), in these eight sectors almost 314,000 individuals work on their own account and over 267,000 are informal workers. There are also over 735,000 workers in micro-enterprises and more than 100,000 workers with only fixed-term and temporary contracts. When gender-specific considerations are brought into the sectoral analysis the overall share of employment in sectors with high labour-related vulnerabilities increases only marginally, by around 6 percentage points.[3] On the other hand, the large share of young people employed in vulnerable jobs in retail, food and beverages, computer programming, consultancy and related activities, may have a larger negative impact on jobs compared with the baseline scenario.

The enterprise survey conducted by the Serbian Association of Employers (SAE), in collaboration with the ILO and the EBRD, highlights the vulnerability to shocks of certain categories of enterprises in specific sectors. Microenterprises were hit the hardest (more than one in four completely ceased operating) and have least access to funds to support recovery (only 30 per cent of respondents). With the exception of those operating in the textile, transport, and tourism sectors, businesses have generally managed to keep the dismissal of workers below 9 per cent. In doing so, they remained eligible for the most generous and powerful financial assistance measure offered by the Government, employment retention subsidies (see detailed analysis in section 5.2), which for micro, small and medium-sized enterprises amounted to about 65 per cent of total labour costs (for workers receiving the minimum wage).

Overall, Serbia adopted the most generous and comprehensive economic package among the Western Balkan economies, providing near universal support to both firms and citizens. Given this singularity, this Rapid Assessment reviews the impacts of some critical policy measures on income levels, income distribution and poverty among different population groups by using **ex-ante microsimulation analysis and four cumulative scenarios** (Section 5.2). The simulation of the **welfare effects of the**

1 As noted in the nowcasting methodological notes for the ILO Monitor: Covid-19 and the World of Work, this estimated loss in working hours should translate into a significantly less severe employment reduction, as firms and individuals adjust by simultaneously reducing working hours, cutting jobs and withdrawing from work. ILO Monitor: Covid-19 and the world of work (7 April 2020), Second edition, updated estimates and analysis.

2 This number represents the share of jobs in these sectors that meet at least one of the characteristics that make them extremely vulnerable to the current crisis. These include jobs characterized by informality and precariousness in the employment relationship, own-account workers or workers in micro-enterprises.

3 This differs from other Western Balkan economies, where the overrepresentation of women in certain sectors would double or triple the share of employment in sectors that are highly vulnerable to shocks.

**employment retention measure** finds that it reduces the poverty rate by 1.2 percentage points in a relatively proportional manner across age groups, but only halfway back to the pre-crisis poverty level. Although these measures saved many jobs, they did not protect vulnerable workers (informal, temporary, service-contract workers and so on), de facto worsening their relative position and contributing, albeit only marginally, to overall inequality. When **the key income support measure** – the one-off 100 euros (EUR) grant to all adult citizens – is added to the simulation, the distributional and anti-poverty effect of the combined measures is remarkably strong and **reduces the relative poverty rate to 22.9 per cent**, below the pre-crisis level[4]. The strongest impact is on young adults (18–24 years of age) who, thanks to their eligibility for the grant, are less exposed to poverty than children.

Although some "winners" and "losers" are emerging from the Covid-19 crisis in Serbia, the policy responses implemented up to now offer a good basis on which to tackle the coming challenges. Existing and new vulnerabilities across age groups and labour market statuses have provided a compelling rationale for policy-makers to pursue comprehensive policy responses in their immediate response to the crisis, embracing the quasi-universalistic logic of the employment retention scheme and the one-off cash grant. These approaches are, by their nature, more prone to "errors of inclusion" (providing assistance to those who do not really need it, that is, the "winners") than to "errors of exclusion" (not providing assistance to those who need it, the "losers"). Admittedly, firms that did not experience any hardship may have received the subsidy and some well-off people may have had access to the grant. However, the microsimulations show that these two measures have been able to contain the expansion of poverty and the cash grant alone has been able to bring down **the Gini coefficient by one full point**.

Five preliminary policy recommendations emerge from this Rapid Assessment. They need to be further evaluated and adjusted through social dialogue. The initial policy response to the Covid-19 crisis did not involve consultations with the social partners. Moving forward, it may be appropriate for tripartite partners to review and discuss alternative policy proposals, particularly as the fiscal space may decrease and interventions may involve more significant trade-offs between different population categories.

4 The microsimulation exercise used annual income data and a relative poverty threshold. The analysis of the combined impact of the employment retention subsidy and cash grant on poverty over a 12-month period found that these measures would lift some poor people just above the poverty line. More significantly, they would prevent some non-poor people just above the poverty line from becoming poor as a result of the negative economic shock.

## Policy options for supporting enterprises, jobs, and incomes during the next phases of the crisis include:

- **Shifting towards a more selective and targeted approach for the design of the new set of measures to be implemented from September onwards.** The urgency of the situation and the diversity of risks faced by the population in the early days of the crisis have justified a comprehensive policy response. As the fiscal space may soon become narrower, the Government will need to identify and focus future policy packages on those population groups that are most vulnerable and most affected by the crisis.

- **Resuming talks about concrete solutions to support a large number of circular and seasonal workers.**[5] In light of the failure to protect the most vulnerable workers through some of the existing measures, the Government and the social partners should reconvene to identify tangible incentives and modalities to support returnees and those who will not be able to earn (enough) money through migration in the coming months.

- **Maintaining focus on the importance of mitigating the less visible social costs of the pandemic.** While preserving jobs and productive capacities is a critical dimension of the policy response, behind the relatively favourable averages there may be many losers from the crisis. Policy-makers should identify modalities to protect both the old and new poor and vulnerable, particularly as the crisis carries on and the impacts on firms and families become more differentiated. For instance, there are close to 200,000 old people without pensions, most of them in rural areas, at very high poverty risk, who could not access the measure granting pensioners an additional RSD 4,000.

- **Minimizing the potentially high deadweight losses within the new youth employment programme.** The design of this new combined wage subsidy and on-the-job training programme should reflect lessons learnt from the impact evaluation of its predecessor "First Chance" programme and international best practice. Given the considerable amount of resources to be invested (0.33 per cent of GDP), it would be important for the national employment service and other institutions involved to perfect the design of this new youth employment programme in order to reduce potentially negative effects.

- **Using social dialogue more consistently and more effectively to gauge unmet needs in the world of work.** The employers' survey, for instance, allowed enterprises to voice some critical and immediate needs, such as (i) access to consistent and timely information about the support measures; (ii) prompt repayment of any outstanding credit to state-owned enterprises; (iii) deferral, as far as possible, of VAT payments.

5 The ILO experts' estimate, consistent with preliminary data from Eurostat, is about 150,000 short-term migrants who returned or will not be able to travel outside Serbia at least for the remainder of 2020.

# 01

## Preliminary considerations and methodology

The Covid-19 virus is proving to be a sobering reality check for policy-makers around the world. Subsequent waves of the health crisis remain a relentless adversary on the home front, while the transmission channels of the economic crisis, sometimes unpredictable, have multiple knock-on effects on the country's economy. The Government of the Republic of Serbia is confronting unprecedented events that are unfolding domestically, regionally and globally. The first local case of Covid-19 came to light on 6 March 2020 and by the end of that month the number of Covid-positive cases had risen to 900. In order to contain the virus, on 15 March the government declared a state of emergency, which ushered in emergency response measures, both health-oriented and socio-economic. The Infection Disease Crisis Response Team was established on 13 March, co-chaired by the Prime Minister, the Minister of Health, the Director of the Health Insurance Fund, and the Provincial Secretary of Health. On the same day, a Crisis Response Team was formed to prevent possible harmful effects of the health crisis on the economy, co-chaired by the President of the Republic of Serbia, the Minister of Finance, the President of the Serbian Chamber of Commerce, and the Governor of the National Bank of Serbia. The state of emergency allowed the President of the Republic to proclaim orders and decrees, enforce mandatory work, limit freedom of movement, limit the right to strike and limit the freedom of political movements, trade unions and other forms of activism. The President relied on the Medical Crisis Response Team and the Socio-economic Crisis Response Team, led by the Minister of Finance and the Chamber of Commerce. The social partners, independent experts and academics were not invited to participate in this general mobilization effort. The Economic and Social Council held one extraordinary meeting on 17 March, at the start of the state of emergency, and did not resume sessions until 22 May. All activities related to the forthcoming elections were postponed until the end of the state of emergency. Elections eventually took place on 21 June, six weeks after the termination of the state of emergency. During this period, the number of reported new daily infections seemed to stabilize below or around 100 cases. One week after the elections this number had more than doubled and progressed rapidly throughout the following five or six weeks, bringing the national health system to the brink. A second lockdown was announced, but quickly withdrawn, due to public protests.

Throughout the crisis, the Government and the social partners have remained interested in benchmarking the results of their response against the measures and achievements of other countries in the region, and they have welcomed the technical assistance of international organizations, including the ILO. In March 2020, an ILO regional Task Team on Covid-19 and the World of Work, comprising ILO experts and national and regional advisors, extended its operations to Serbia. In April, the European Bank for Reconstruction and Development (EBRD) joined the Task Team. The objective is to facilitate dialogue among government institutions at different levels, social partners and other relevant stakeholders on coherent policy responses to support workers, families and enterprises. Policy dialogue is supposed to stem from evidence on the immediate employment impacts and policy responses provided to the Covid-19 pandemic in Serbia.

The Rapid Assessment conducted by the Task Team looks at the situation of vulnerable workers and at-risk enterprises in multiple sectors. It strives to generate evidence and options to improve the structuring of dialogue and negotiations around plausible policy measures. With regard to the latter, three main considerations are relevant:

1. general policy packages need to be calibrated in accordance with the available fiscal space and the existing policy framework;
2. the policy packages already adopted have some gaps – either in design or implementation – in terms of protecting the most vulnerable, such as non-standard workers,[6] own-account workers and micro-enterprises;
3. policy measures are instrumental only if tailored and properly timed to the phase of the Covid-19 crisis in which the economy finds itself.

With regard to the need for the Government and its social partners to sync policies better, the chain of events triggered by the health crisis and their economic impact are presented in Figure 1.1.

**Figure 1.1 Covid-19 and the World of Work: timing policies to the appropriate phase**

| Lockdown | Reactivation | Recovery |
|---|---|---|
| ▪ near complete and mandatory<br>▪ timing and gradual removal subject to debate balancing health, political and economic interests<br>▪ high-contact and non-essential labour heavily constrained<br>▪ consumer demand for durables and non-essential goods and services plummeted, fuelled by uncertainty<br>▪ loss of working hours as key metrics in the short term | ▪ workers trickle back into workplaces<br>▪ slowed down by safety and health considerations for workers and clients and episodes of resurgence of the virus<br>▪ negotations on safe return to work occur<br>▪ ruptured supply chains, particularly in export-oriented manufacturing, need mending<br>▪ in the medium term, liquidity shortages undermine also viable businesses<br>▪ unemployment, underemployment and job losses as useful metrics in the medium term | ▪ made difficult by (still) low aggregate demand<br>▪ fiscal limitations circumscribe government room to manoeuvre<br>▪ registered employment; GDP per person employed; and mortality rate of enterprises are helpful indicators in this phase<br>▪ employment indicators to be read in conjunction with sector-specific metrics |

Source: Task Force elaboration based on several sources.[7]

The lockdown in Serbia was strict. The authorities enacted several measures to facilitate remaining at home and social distancing (see Annex 3), including general requirements for workplace closures, curfews, restrictions on gatherings and movement within the country, border closure and mandatory quarantine. The containment measures during the state of emergency gradually deepened, with permanent lockdown for the elderly (65+), who were later allowed to leave their homes only between 4 a.m.

6 Labour legislation in Serbia does (not) define the terms "non-standard forms of employment" or "non-standard workers", which leaves substantial groups of workers (such as digital platform workers) without adequate legal protection and without proper integration in the social protection system. In January 2018, Serbia adopted the Law on Simplified Work Engagement on Seasonal Jobs in Certain Activities (Official Gazette 50/2018), which streamlined the process of hiring and registering seasonal workers engaged for up to 120 days in a calendar year. Serbia also adopted the Law on Private Employment Agencies (Official Gazette 86/2019) (the "Law on agency employment"), which specifies working conditions for agencies, as well as the rights and obligations of people who seek temporary employment through agencies.

7 For an analysis of the stringency of the lockdown, please see: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira: Oxford Covid-19 Government Response Tracker, Blavatnik School of Government (2020). Data use policy: Creative Commons Attribution CC BY standard. Available at: https://Covidtracker.bsg.ox.ac.uk/

and 7 a.m.; 84 hours of complete lockdown during major holiday weekends (Easter, Labour Day and so on); and 12 hour-long curfews between 5 p.m. and 5 a.m. From a labour market perspective, informality and the incidence of rural work may have mitigated the lockdown's stringency for certain categories of workers.[8] By the first week of May, the country had begun to lift the lockdown gradually.

For the purposes of this report, reactivation is defined as the period post-lockdown and before the wide availability of a vaccine. There seems to be a consensus that the virus will remain a threat and an obstacle to normalcy even if it may temporarily be less acute in one country or in part of the region. Covid-19 is a threat as long as it exists somewhere, as proven by its resurgence in the Western Balkans early in the summer and the increasing number of infections across Europe during August 2020. During the reactivation phase, it is helpful to distinguish between high-contact and low-contact sectors and occupations, because reactivation will clearly be constrained by health and safety concerns in high-contact types of business. Supply chain disruptions and demand shocks will play a more important role in low-contact sectors.

Social dialogue underpins the process of identifying an adequate policy mix across these different phases. This requires the active participation of representative employers' and workers' organizations, along with other experts, including sectoral associations. The work of the Economic and Social Council, a permanent tripartite body facilitating social dialogue and socio-economic stability, was suspended during the state of emergency, as all indoor gatherings of more than five persons were banned as of 21 March. The next session of the ESC took place only after the end of the state of emergency, on 22 May, but it did not result in any tripartite decisions related to Covid-19. So far, representatives of free and independent organizations of the private sector and of the free and independent trade unions have not adequately participated in any decision-making regarding the pandemic.

The methodology used by the Task Force includes multiple tools. In particular, the following approaches were applied:

a. **Enterprise survey.** The Rapid Assessment builds on the results of the enterprise surveys that the Serbian Association of Employers conducts periodically, in partnership with the ILO and the EBRD. While having no pretentions to represent the full extent of Covid-19's impacts, the enterprise survey provides snapshots of how formal establishments in different sectors are faring through the different phases of the crisis and what urgent needs they voice.[9] To avoid any "cross-contamination" of perceptions, this Rapid Assessment derives its findings only from the questionnaires about the lockdown phase. The enterprise survey will be repeated during the reactivation phase.

b. **Sectoral analysis.** Through a sectoral decomposition (2-digit) of Labour Force Survey (LFS) data, the sectoral analysis provides an overview of the sectors most at risk from the viewpoint of quantity and quality of jobs. It also offers some data for the parametrization of policy options. The LFS also provides baseline microdata for nowcasting.

c. **Administrative data.** Selected administrative data are collected from the public employment service, social welfare centres, tax authority and other institutions (together with relevant time series) to gauge real-time occurrences in the labour market.[10] High-frequency economic and labour market data support the ILO's nowcasting model.

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8 ILO Monitor: Covid-19 and the world of work (7 April 2020), Second edition, Updated estimates and analysis.

9 At the time of writing, 462 enterprises had responded to the survey (400 of whom fully completed the survey), representing around 0.38 per cent of total establishments in Serbia (excluding own-account entrepreneurs). Around 40 per cent of the respondents are based in Belgrade, 27 per cent in Vojvodina, 21 per cent in Sumadija and West Serbia, and 12 per cent in Southern and Eastern Serbia. The majority are small-to-medium size enterprises with 11–100 employees, comprising 49 per cent of the sample. MSMEs account for 89 per cent 0f all respondents. State-owned enterprises represent only 1 per cent of the sample, and foreign-owned enterprises 2 per cent.

10 Administrative data will grow in importance and significance as the country moves through the reactivation and recovery phases. For instance, the increase in employment agency registrations and in claims for unemployment benefits may still be limited during the lockdown, as people try to "decipher" the crisis and do not take the necessary administrative steps. In addition, there can be a time lag between the lifting of containment measures and filing for bankruptcy, as enterprises try to restart operations using government programmes, bank loans, and/or their own savings.

d. **ILO nowcasting model.** This method uses data that are available almost in real time to predict aggregate hours worked, which are published with a substantial delay. The resulting estimates are compared with the baseline (the latest pre-crisis quarter, namely, the fourth quarter of 2019, seasonally adjusted). The data in the nowcasting model include a variety of economic indicators, including the evolution of the labour market. The ILO nowcasting model produced Western Balkan aggregates for both Q1 and Q2. As enough high-frequency indicators become available, the ILO will produce a direct nowcast for each Western Balkan economy during the second half of 2020.

e. **Microsimulations based on the SILC[11] database.** The Rapid Assessment simulates the effects of the lockdown and of the Government's policy responses on poverty and inequality through ex-ante microsimulation analysis.[12] The loss function is defined in relation to the relative labour vulnerabilities of sectors identified in Section 4.1 of this report.[13] These coefficients are applied to the SILC data. The loss function is calibrated so that it takes the value 0 for the sectors with low vulnerability (that is, where vulnerability is equal to 1). The loss function takes the average value of 0.102, which is equal to the average loss of working hours in the first two quarters of 2020, according to the ILO Nowcasting model (Table 4.1). The report presents four "cumulative" scenarios, whereby each subsequent scenario adds the impacts of an additional policy measure to the previous one.

Importantly, times of turbulence tend to be marked by worse quality data. Because real-time data are lacking in most countries – particularly on labour market impacts – it is essential that the assessment take into account multiple indicators and qualitative insights on economic and employment effects. The overall principle guiding the approach is pragmatism. Today, there are still so many things that policy-makers do not know about Covid-19, such as how profoundly it has hit the country, and for how long it will reverberate through the economy. Thus, by pinning down some of the facts and evidence available at the time of writing, the Rapid Assessment strives to support the formulation of an adequate exit strategy from the current situation.

This Rapid Assessment was conducted primarily during the month of June and released to the authorities and the social partners in Serbia in early August 2020. Based on official statistics, by the time the state of emergency was removed in early May there were around 9,800 officially reported cases and slightly over 200 deaths in total.[14] The six-week period between the lifting of the state of emergency and the elections was characterized by the suspension of almost all containment measures and permission for public gatherings of up to 25,000 people. Around the end of June, however, the number of active cases started increasing quite rapidly. This reflects a pattern in the wider Western Balkans, where a "second wave" (or the "second spike of the first wave", as some have dubbed it) appears to be affecting the entire region. North Macedonia, Bosnia and Herzegovina, Montenegro, and Albania all reported a spike in cases at the same time as Serbia. Prior to 9 July, all the above-mentioned countries' incidence rates increased above 25 per 100,000 – a marker for allowing movement to the EU. By early August, the total number of cases had risen to almost 27,000 and the health crisis is still ongoing at the time of writing.

Subsequent iterations of the Rapid Assessment will provide additional updates and analytics as the country moves through the reactivation phase.

11 The latest available Survey on Income and Living Conditions (SILC) data refer to 2018 (income year 2017).
12 The microsimulation analysis presented here follows the approach implemented by Perugini and Vladisavljević (2020), available at http://ftp.iza.org/dp13249.pdf
13 For subsectors (2-digit in the NACE Rev. 2) for which vulnerability was missing, the average vulnerability of other subsectors within the higher-level sectors (NACE 1st level) was used. For additional missing values that occur because there was no vulnerability assessment for any subsector in the higher-level sectors and missing data on sector of activity in the SILC, a data imputation method was applied, based on employees' occupation, region, degree of urbanization, age, type of contract (temporary/permanent), employment status and total income from labour.
14 https://covid19.rs/

# 02

## Socio-economic situation before the health crisis

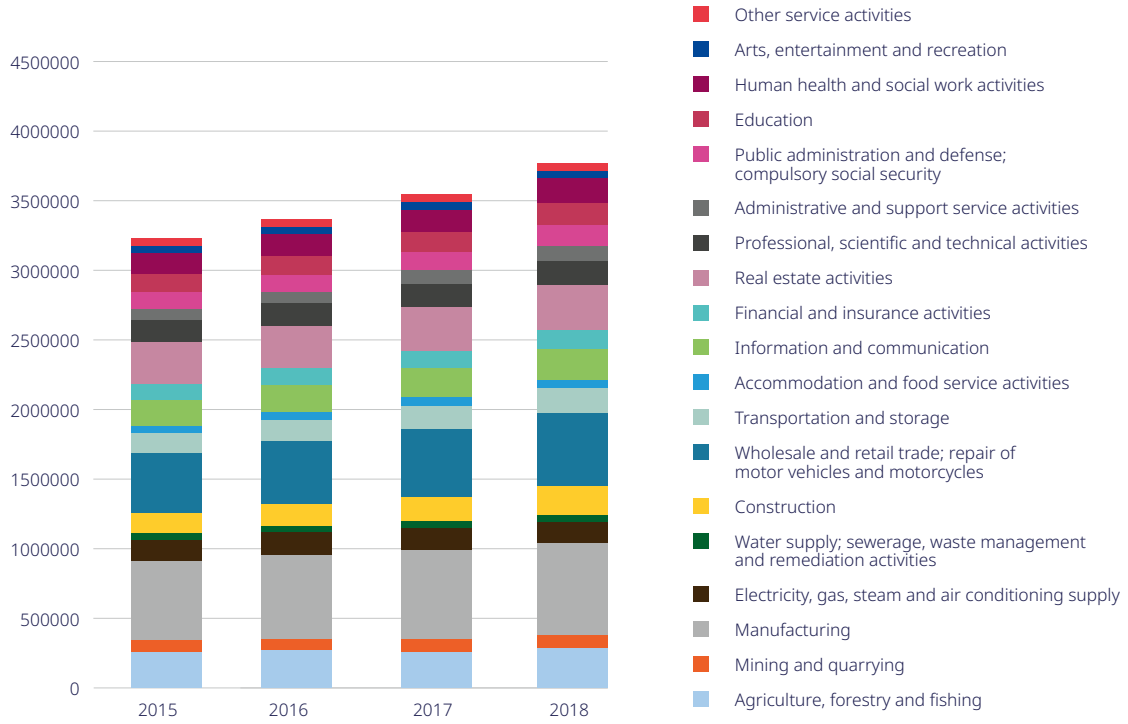
After a period of positive but subdued growth in 2015–2017, Serbia's economy started to accelerate in 2018 and 2019, when GDP recorded an average annual growth rate of 4.2 per cent.

On the supply side, economic growth has been driven mainly by services and, to a lesser extent, industry and agriculture. The share of agriculture in output and employment is declining, and services account for close to 60 percent of employment and around 62 per cent of Gross Value Added (Figure 1, plot a). The economic sectors that most fuelled growth in 2019 were construction (27.6 per cent average growth), information and communication (7.4 per cent), trade (6.1 per cent), finance and insurance (4.4 per cent) and professional activities (3.9 per cent).[15] Manufacturing, retail, transport, construction and hospitality provide half the jobs in the private economy (Figure 1, plot b).

On the demand side, consumption and investment spending have been the main growth drivers in recent years. The efforts to complete the gas pipeline to Bulgaria lifted real GDP growth by 0.7 percentage points.[16] Foreign direct investment (FDI) performed strongly and reached EUR 3.6 billion in 2019, equal to 7.8 per cent of GDP.[17] In the same year, remittances represented 5.58 per cent of GDP, on a slight decline compared with 2018, when they were estimated at 6.4 per cent of GDP.[18]

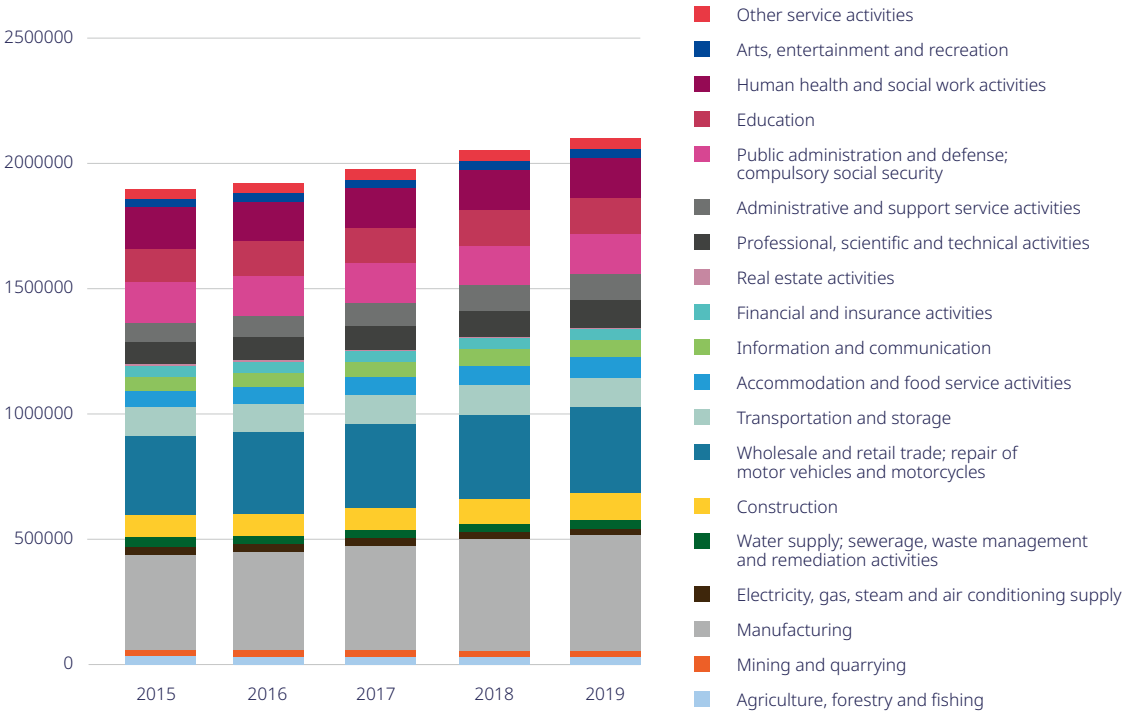
### Figure 2.1 Sectoral composition of growth, employment and wages

a) Value added

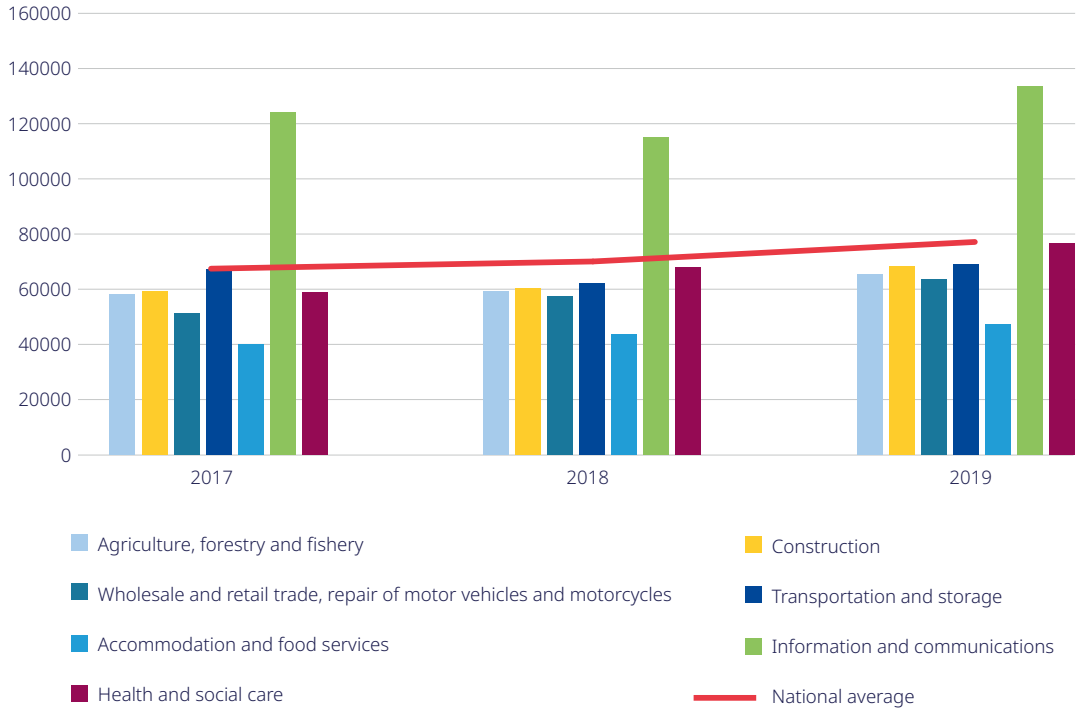



15 Statistical Office of the Republic of Serbia: Quarterly Gross Domestic Product in the Republic of Serbia (Statistical Release n. 144, 2020)
16 World Bank: The economic and social impact of COVID-19. Country notes (Western Balkans Regular Economic report No17, 2020).
17 World Bank, World Development Indicators, various years.
18 National Bank of Serbia.

b) Employment




c) Wages




Source: Statistical Office of the Republic of Serbia.

In 2019, exports increased by 8.7 per cent and imports by 9.2 per cent, resulting in a widening of the current account deficit (6.9 per cent of GDP), given the growth slowdown in the European Union, Serbia's main export destination. By the end of 2019, total external debt had begun to increase in nominal terms, reaching EUR 28.4 billion or 61.9 per cent of GDP.

Serbia's macroeconomic position has improved since 2014. The 2014–2017 fiscal consolidation programme focused on spending adjustments (public-sector hiring freeze, nominal reductions in both pensions and public-sector wages, reduced spending on subsidies and guarantees for socially-owned enterprises) and revenue increases (VAT and excise taxes). As a result, Serbia managed to turn a fiscal deficit of 6.2 per cent of GDP in 2014 into a surplus of 1.1 per cent and 0.6 per cent of GDP in 2017 and 2018, respectively. This surplus turned into a small deficit in 2019 (0.2 per cent of GDP) due to higher investment (up by 33.6 per cent in 2019 compared with 2018).[19]

Since 2014, inflation has remained low and stable (at an average of 2 per cent), amid increasing bank lending (10.3 per cent year-on-year in February 2020) and declining non-performing loans (to 4.1 per cent at the end of 2019).

Despite an increase in value added by sector, such as information technology, and financial, insurance and professional activities, the contribution of these sectors to job creation has been limited. A substantial part of the workforce is trapped in low-productivity jobs in the manufacturing, construction, retail and hospitality sectors, which on average offer wages that are 10 per cent to 30 per cent lower than the national average.

Small and medium-sized enterprises (SMEs) dominate the formal private sector landscape, representing 99.8 per cent of all firms in the country. They account for 66.3 per cent of all employment in Serbia's "non-financial business economy" and generate 55.6 per cent of overall value added. Large firms (100 or more employees), while representing only 0.2 per cent of all enterprises, produce over a third of value added (44.4 per cent) and 33.7 per cent of employment.[20]

The improved macroeconomic outlook and positive economic growth led to an improvement in labour market indicators. Labour Force Survey estimates show that in the period 2011–2019 the labour force participation rates of the working age population increased by 8.6 percentage points (from 59.5 per cent in 2011 to 68.1 per cent in 2019), employment to population ratios rose from 45.4 to 60.7 per cent and unemployment rates declined (from 23.6 per cent in 2011 to 10.9 per cent).[21] The gender gap in labour force participation rates and employment declined in 2011–2019, with women's activity and employment rates down to a difference of 13 percentage points, compared with 17 and 15 percentage points in 2011.[22]

The employment growth recorded in the past four years (since 2016) has been led by manufacturing, trade, hospitality, construction and professional activities. These sectors have generated 89 per cent of all new jobs in this period. Job creation was particularly strong in 2016 and 2017, and more subdued in 2018 and 2019.

In 2019 the unemployment rate for the working age population was 10.4 per cent (10.4 per cent for men and 11.5 per cent for women). Long-term unemployment affects nearly two-thirds of the unemployed (58.3 per cent), with men more exposed to long-term unemployment than women (58.9 per cent and 57.6 per cent, respectively).[23] Low-skilled individuals (ISCED 0-2) are more exposed to unemployment (13 per cent unemployment rate) than people with a secondary (11.5 per cent) and a tertiary education (8.5 per cent).

19 World Bank: Serbia systematic country diagnostic update (April 2020).
20 European Commission. SBA Fact Sheet. Serbia, 2019.
21 Eurostat database, Labour Force Survey, {lfsa_argan}, various years.
22 Eurostat database, Labour Force Survey, annual data.
23 Labour Force Survey in the Republic of Serbia, 2019.

In 2019, the unemployment rate among young people (15–24 years of age) stood at 27.5 per cent, two and a half times that of adults. Approximately 15.3 per cent of young people are not in employment, education or training (NEET), with young women slightly more likely than young men to be disengaged (15.8 per cent and 14.9 per cent, respectively). The labour market situation of young people (15-24) in the country has been improving since 2011, with increasing labour force participation rates (from 28.5 to 29.7 per cent), rising employment rates (from 15.3 to 21.5 per cent) and declining unemployment (from 50.9 to 27.5 per cent). This improvement, however, has benefitted young men more than young women and young people with higher educational attainment. Part of the employment gains recorded for young people are due to higher employment levels (with an increase of approximately 31 per cent in the period 2011–2019) and part to demographic factors (the population in this age group has declined by over 14 per cent since 2011).

Quality of employment remains a challenge in Serbia. Informal employment amounts to 18.2 per cent of total employment and affects mostly men, prime age (25–54 years old) and older workers, the less educated and workers in South Serbia.[24] Nearly 23 per cent of all workers are employed on temporary contracts, nearly double the share recorded in 2011 (12.4 per cent), while workers in precarious employment have increased fourfold since 2011 (2.4 per cent in 2011 and 8 per cent per cent in 2019) to reach three times the average recorded in EU countries (2.5 per cent).

Economic growth, rising employment and low inflation reduced the at-risk-of-poverty rate from 26.7 per cent in 2015 to 24.3 per cent per cent in 2018. The groups most at risk of poverty are children and young people, with nearly one-third of young people aged 18 to 24 at risk of poverty, along with the unemployed (49 per cent) and families with two or more children.[25] In Serbia, the income of the poorest 40 per cent grew by an annualized average of 3.9 per cent between 2013 and 2017, higher than the income growth of 1.5 per cent recorded for the population as a whole.[26] Notwithstanding progress in poverty reduction, inequality remains a concern. Albeit on a declining trend, the Gini coefficient was 35.6 in 2018, which puts Serbia among the three countries with the highest Gini coefficient in Europe.[27]

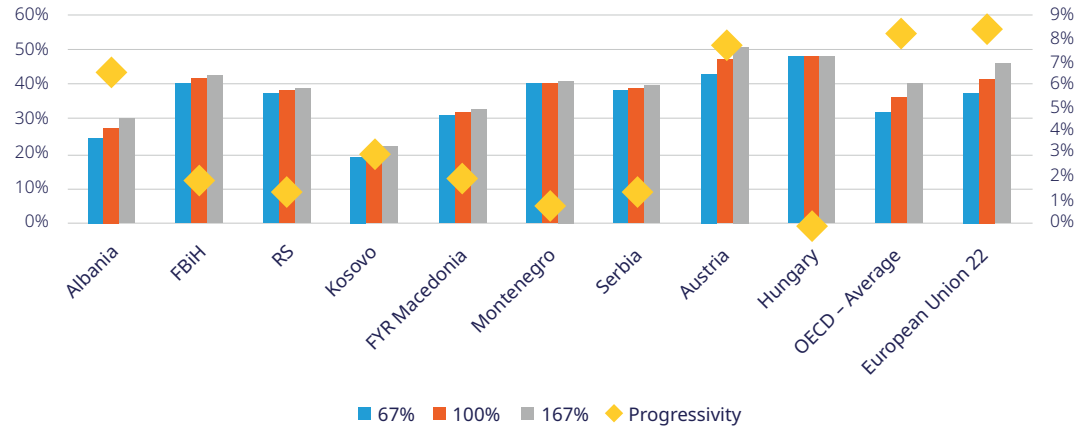
According to World Bank research, the proportion of low-wage workers in Serbia was 22.9 per cent, compared with an EU average of 17.2 per cent. The share of low-wage earners was highest among younger workers (above 30 per cent).[28] Level of education and contract types are strongly inversely correlated to low wages, with over 48 per cent of low-educated workers and 36 per cent of temporary contract holders being low-wage earners.[29]

Social transfers reduce being at risk of poverty by 5.3 percentage points, with the main social assistance programme in the country covering approximately 210,000 individuals (or some 88,000 families). According to the figures of the National Employment Service the number of unemployed who benefitted from the unemployment benefit in 2019 represented approximately 6.7 per cent of all unemployed registered.[30]

24 Labour Force Survey in the Republic of Serbia, 2019.
25 Statistical Office of the Republic of Serbia, Poverty and Social Inequality, 2018.
26 World Bank: ***Serbia systematic country diagnostic update*** (April 2020).
27 Only Bulgaria and Lithuania had higher Gini coefficients in 2018 (39.6 and 36.9 per cent, respectively, see Eurostat: ***Gini coefficient of equivalised disposable income*** - EU-SILC survey [ilc_di12]
28 World Bank: ***Western Balkans labor market trends 2018*** (World Bank, Washington, D.C. 2018).
29 World Bank and Vienna Institute for International Economic Studies: ***Western Balkans Labour Market Trends 2019*** (March 2019).
30 See National Employment Service: Monthly Statistical Bulletin, December 2019, available at: http://www.nsz.gov.rs/live/digitalAssets/14/14009_bilten_nsz_12_2019_-_broj_208.pdf .

At close to 40 per cent of the average wage level, the tax wedge on labour is relatively high in Serbia and largely independent of the income level (lack of progressivity), despite a low personal income tax rate. Personal income tax is a flat 10 per cent, with a modest personal allowance, no tax allowances for dependants and only a marginal degree of progressivity. In 2019, the social security contribution rate was reduced to 37 per cent (from 37.8 per cent of the gross wage in prior years) due to the abolition of the employer's portion of the unemployment insurance contribution.[31]

### Figure 2.2 Labour tax wedges in Western Balkans for a single worker at 67 per cent, 100 per cent and 167 per cent of average wages, in comparative perspective




Source: World Bank and Vienna Institute for International Economic Studies: ***Western Balkans Labour Market Trends 2019*** – Special topic: Labor costs, labor taxes and low-wage earners in the Western Balkans.

31 World Bank and Vienna Institute for International Economic Studies: ***Western Balkans Labour Market Trends 2019*** (March 2019), op. cit.

# 03

## Transmission mechanisms

## 3.1 Direct effects due to containment measures

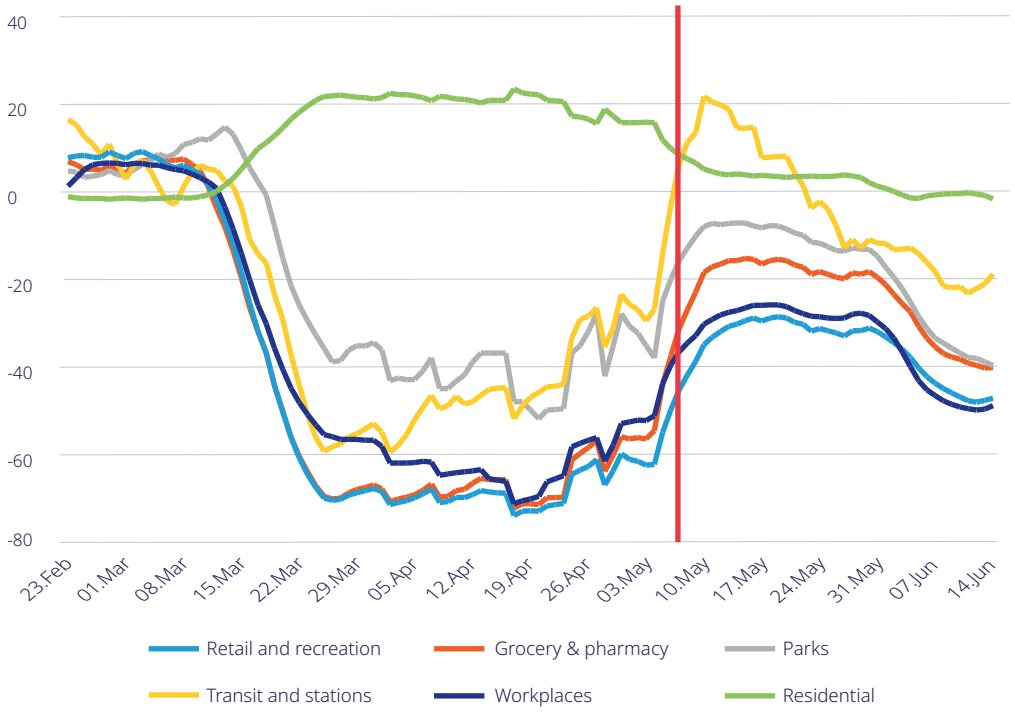
The Government of the Republic of Serbia responded to the unprecedented challenge that the pandemic poses to the health care system with a set of emergency measures. Containment measures included the shutdown of schools and kindergartens, bans on public gatherings, restrictions on some businesses (for example, fitness centres, bars, restaurants and other high-contact economic activities), travel restrictions and a complete halt of public transport within cities, a curfew, mandatory quarantine for persons arriving from abroad, and a subsequent complete border closure. Additionally, parents of young children could remain at home to care for them. Employers, however, did not receive any financial compensation for the loss of working hours arising from these special family responsibilities. Many of these measures came to an end with the suspension of the state of emergency on 6 May; others continued, with some adjustments, during the resurgence of the virus in June and July. Annex 3 provides more details on the containment, closure and health measures adopted since the beginning of the crisis.

Health workers were under particular strain due to increased health risks, prolonged working hours and stress. While for many workers in the public sector the lockdown typically meant switching to working from home, private companies rapidly had to find multiple ways of adjusting to the new situation. Some companies switched to e-commerce (online sales) and teleworking. Workers in essential services, such as grocery stores and pharmacies, came under immense strain due to increased health risks. Notably, a number of jobs classified as "essential" during the lockdown are also low-pay jobs. On the other hand, workers in non-essential occupations or in sectors with a high risk of contagion due to direct contact between service providers and consumers (for example, tourism, trade, transport) or because a large number of workers share the workplace (for example, manufacturing) suspended their activities to prevent the spread of the infection.

Some enterprises have suffered from combined shocks induced by the lockdown and by the reduction in demand from businesses and customers. Among other factors, the decline in demand is a consequence of decreased mobility, mounting uncertainty and a sudden drop in disposable income experienced in households affected by wage cuts and dismissals. The Google Community Mobility Report[32] for Serbia (Figure 3.1), for instance, highlights that visits to and time spent in places such as work, retail stores and transit stations decreased by up to 70 per cent during the state of emergency. Although footfall in grocery stores and pharmacies has fallen by about 40 per cent, this has probably not affected their turnover negatively, as people opted to buy more on each visit or reverted to online purchases. After the state of emergency ended, activity levels increased. However, an increase in the number of Covid cases seems to have led to a new decrease in mobility in June, when visits to retail stores, workplaces and transit stations again decreased by about 20 percentage points compared to May.

32 Google Mobility Reports show how visits and length of stay at difference places changed compared with a baseline. The baseline is the median value, for the corresponding day of the week, during the five-week period 3 January–6 February 2020. Changes are calculated using aggregated and anonymised data.

**Figure 3.1 Mobility trends during the lockdown and after the removal of restrictions (7-day average)**



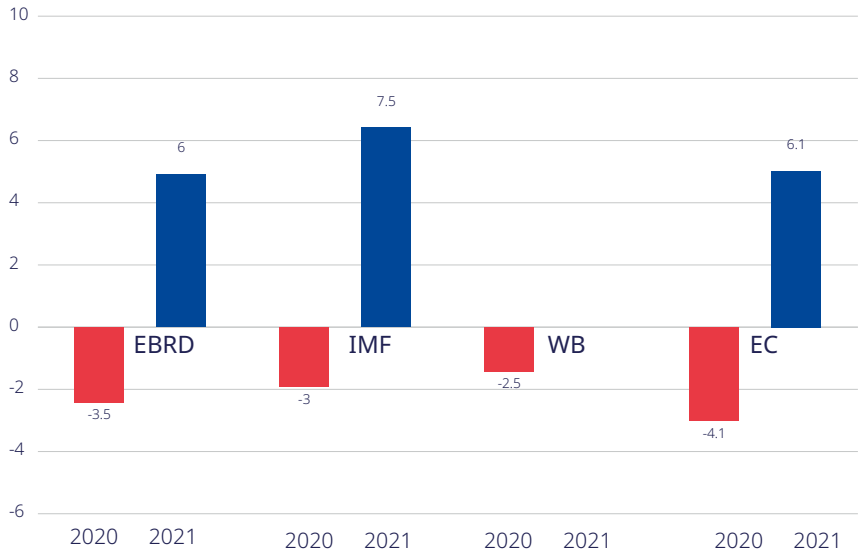

Source: Authors' elaborations based on Google LLC "Google COVID-19 Community Mobility Reports". Available at: https://www.google.com/covid19/mobility/ Accessed: 23.06.2020.

*The vertical red line marks the time of the removal of restrictions.*

According to official reports by the Statistical Office of the Republic of Serbia (SORS), in April, overall industrial production dropped by 17.6 per cent (y-o-y), with manufacturing decreasing by 20 per cent. The highest decrease was in the production of motor vehicles (by 84 per cent), textiles (63 per cent), and furniture, computer software, rubber, plastic and wood products (all decreased by about 50 per cent). Data also indicate that retail trade decreased by about 20 per cent (y-o-y) in April 2020, with the highest decrease in sales of fuel (by 35 per cent) and non-food (excluding beverages and tobacco) products (by 25 per cent). Both imports and exports decreased by about 30 per cent, with the largest export decrease for durable consumer goods (by about 50 per cent)

IMF projections indicate a relatively "mild" and temporary decrease in GDP, as a result of the Covid-19 pandemic, by 3 per cent in 2020, and a 7.5 per cent increase in 2021. According to World Bank forecasts from April, if containment measures were to be lifted by the end of June, GDP could decrease by about 2.5 per cent in 2020, while in the case of a prolonged crisis the reduction could reach 5.2 per cent. The National Bank forecast a GDP reduction of 1.5 per cent, while the Ministry of Finance reported a decrease of 1.8 per cent. The same report indicates a 5.3 per cent decrease in public revenues for the period January through April 2020 compared with the same period in 2019. Finally, the European Commission projected a drop in GDP of 4.1 per cent in 2020, followed by an increase by 6.1 per cent in 2021. The Commission's forecast for the unemployment rate is more favourable than that of the IMF, at 12.7 per cent in 2020 (up from 10.3 per cent in 2019) and full recovery in 2021, with the overall unemployment rate at 10 per cent.

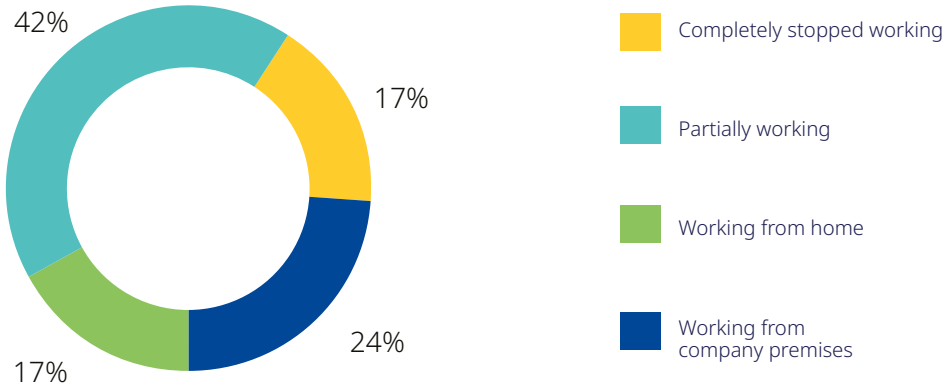
## Figure 3.2 Projected impact of the Covid-19 crisis on the Serbian economy (GDP forecasts, 2020–2021)




Source: EBRD Regional economic prospects – from shock to recovery, EC Spring 2020 Economic Forecast, WB Spring forecasts, IMF World Economic Outlook: The Great Lockdown.

According to a survey conducted in April by the Serbian Association of Employers (SAE), about 17 per cent of the enterprises completely ceased operations at the onset of the crisis, 42 per cent maintained partial operations, and 17 per cent of companies resumed business from home. The highest share of non-working enterprises was among micro businesses (up to 10 employees), with 26 per cent of companies halting operations. About 50 per cent of small and medium-sized companies (10–100 and 101–250 employees) partially stopped working during this period. Some sectors suffered more than others. In tourism 72 per cent of companies completely stopped working and 17 per cent continued working partially; in the textile industry 41 per cent completely stopped and 43 per cent continued to operate partially; while in transport and real estate these percentages are 13 per cent and 63 per cent, respectively.

### Figure 3.3 Impact of the Covid-19 crisis on business in Serbia

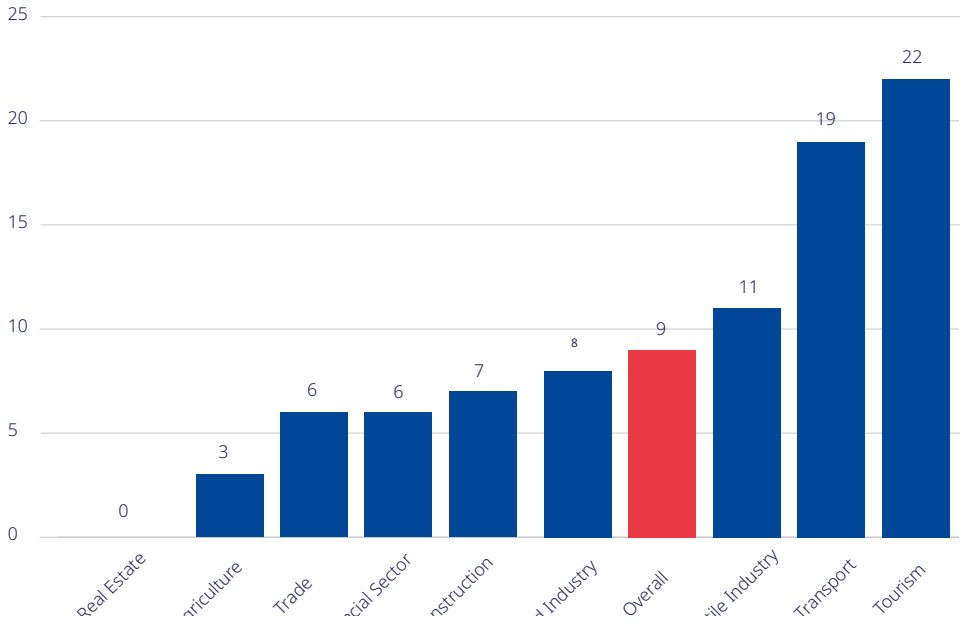



Source: Enterprise Surveys. SAE, ILO, EBRD (2020).

At the time of the survey, the majority of enterprises expected to be able to completely restore their business to pre-epidemic levels in less than one month (about 30 per cent of respondents) or between one and three months (36 per cent). About one-fifth of the companies expected that it would take between three and six months and 10 per cent that it would take more than six months.

Overall, about 9 per cent of the companies had to dismiss some of their employees due to the pandemic. The survey also indicates that the majority of these companies – about 63 per cent – had laid off up to 10 per cent of their employees. The Government had introduced an employment retention criterion for companies applying for financial assistance, limiting the number of dismissals to 10 per cent of the workforce as of February. Data suggest that about 96 per cent of companies have remained eligible for government financial support during the crisis.

### Figure 3.4 Companies reporting they had to dismiss employees, overall and by selected sectors

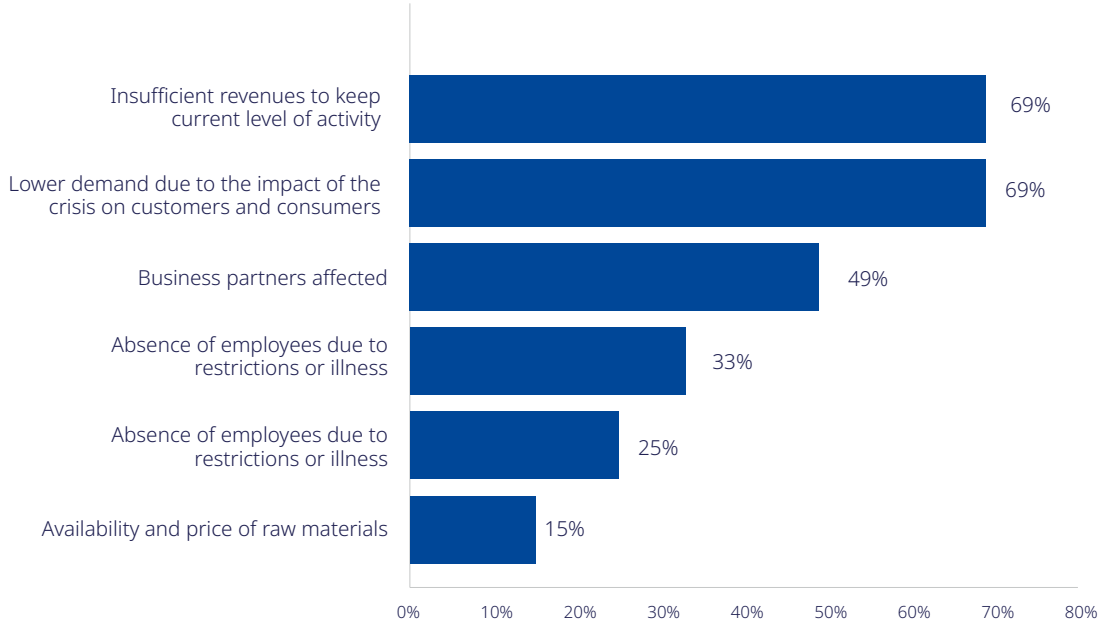



Source: Enterprise Survey. SAE, ILO, EBRD (2020).

The impact on specific sectors is also visible from data on dismissals. Companies in tourism, transport and textiles had to lay off a larger share of their workers, compared with the average across sectors (22, 19 and 11 per cent, respectively). Real estate and agriculture seem to be at the other end of the spectrum. Based on government estimates, the transport sector has suffered losses amounting to EUR 110 million since the onset of the crisis, and tourism arrivals and bookings have fallen dramatically.[33] Manufacturing, which has been the main economic and employment growth driver in the past few years, is likely to lose ground, especially as regards exports to the European Union. As a result of declining exports and lower remittances, the current account balance will worsen considerably.

Figure 3.4 presents the main challenges enterprises face as a result of the crisis. More than two-thirds of companies pointed to lower demand due to the impact of the crisis on customers and consumers and insufficient revenues as the biggest issues. About half of the companies stated that their business partners had been affected and that this had had an impact on them. One in three companies highlighted the absence of employees due to restrictions on movement or sick leave. Additional reasons preventing the regular functioning of enterprises included the unavailability of raw materials and broken supply channels.

**Figure 3.5 Main challenges faced by enterprises due to the Covid-19 pandemic (multiple answers allowed)**

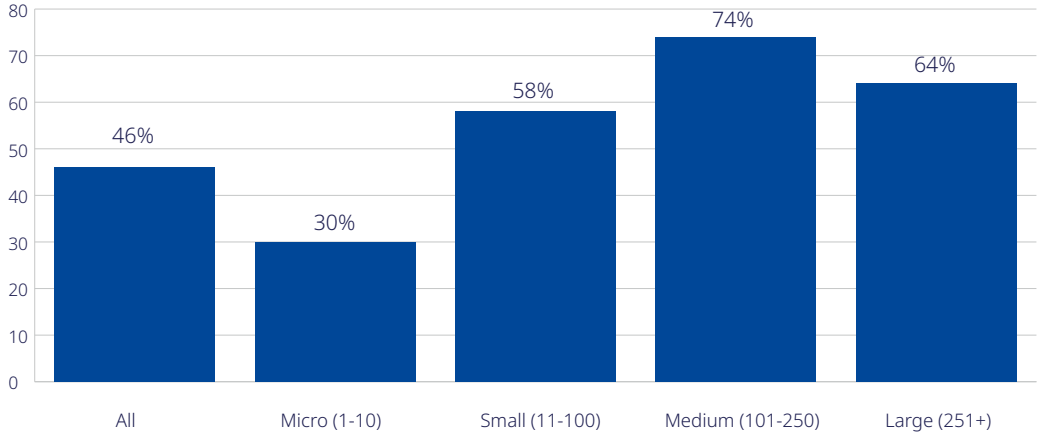



Source: Enterprise Survey. SAE, ILO, EBRD (2020).

About half of the surveyed companies (46 per cent) have access to own funding (for example, cash on hand, savings) or access to alternative/external sources of funding (for example, loans or grants) to help the business recover. There are significant differences in access to funding depending on size of company: only 30 per cent of micro businesses have access to finance compared with 74 per cent of medium-sized and 64 per cent of large companies (Figure 3.6).

33 World Bank: ***The economic and social impact of COVID-19. Country notes*** (April 2020), op.cit.

**Figure 3.6 Companies with access to finance to support recovery, by size**




Source: Enterprise Survey. SAE, ILO, EBRD (2020).

## 3.2 Indirect effects due to regional and global interdependence

Serbia is an open and integrated economy. Its main partner is the EU, which accounted for about two-thirds of Serbia's exports in 2019. Prolonged restrictions on movement and a decrease in economic activity among Serbia's main partners (EU's GDP is projected to decrease by 7.5 per cent[34]) will necessarily translate into a decrease in economic cooperation, which again is likely to vary across sectors of activity, with tourism, exporting companies and companies relying on imports of raw materials suffering the most.

Aside from the EU, Serbia's other main economic partners have felt the impact of the Covid-19 crisis and exhibit a negative economic outlook for 2020, with modest positive signs in 2021 (Table 3.1).

**Table 3.1 Shares in exports and estimated GDP changes, main trade partners (%)**

| | Share in exports | Change in GDP (estimated 2020) | Change in GDP (estimated 2021) |
|---|---|---|---|
| Germany | 13 | –7 | 5.2 |
| Italy | 10 | –9.1 | 4.8 |
| Bosnia and Herzegovina | 8 | –5 | 3.5 |
| Romania | 6 | –5 | 3.9 |
| Russia | 5 | –5.5 | 3.5 |

Source: SORS - Bulletin on Foreign Trade and IMF forecasts, April 2020.

More complicated entry procedures have generated trade and transport congestion. Travel restrictions and decreasing demand have put the activities of exporting companies on hold, most of which were already hit by the measures for containing the virus. Even if they are able to resume production, the restrictions they face on distribution are likely to put further strains on their cash flow. These effects are already visible in the external trade statistics. In April, Serbia's exports and imports decreased by about 30 per cent, compared to both the previous year and March 2020.

34 https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef20064en.pdf

### Table 3.2 Reductions in international trade (April 2020)

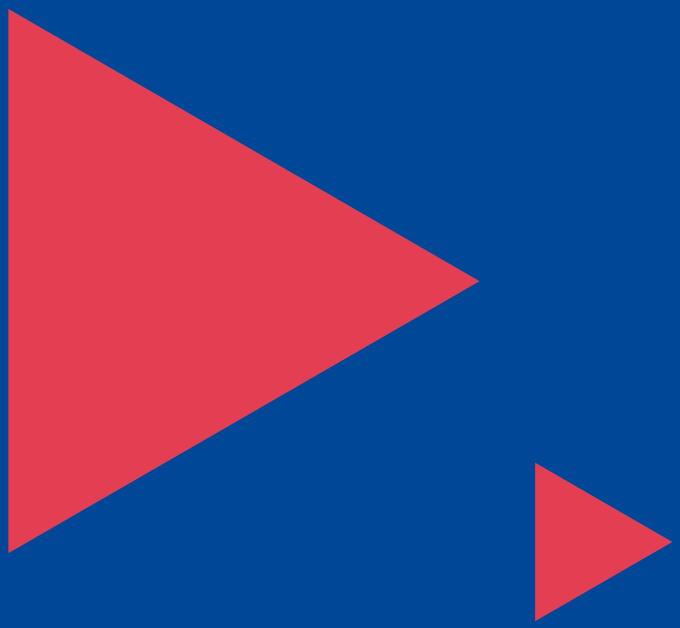
| | Annual change | Monthly change |
|---|---|---|
| Export | –29.2 % | –27.5 % |
| Import | –28.4 % | –33.4 % |

Source: SORS – Bulletin on Foreign Trade (nominal values).

Additionally, the crisis will probably reduce FDI, as many countries have adopted measures to support domestic production and national companies. However, these trends are not yet visible from the available data. According to the Ministry of Finance, in the first quarter of 2020, net inflow of FDIs amounted to EUR 821.6 million. This is about 3.5 per cent higher than in the same period in the previous year. The increasing trend in the first quarter of 2020 is a continuation of the favourable trends that saw an increase in the share of FDI in GDP from 3.5 per cent in 2014 to 7.8 per cent in 2019.

# 04

## Transmission to the labour market



The Covid-19 pandemic hit Serbia after a year of unprecedented job growth, in which almost 70,000 jobs were added to the economy. The ILO nowcasting model shows an employment contraction in the Western Balkan economies during the first quarter of 2020, estimated at a 5.6 per cent decline in working hours. This target variable reflects both lay-offs and other temporary reductions in working hours. The estimated loss of working hours for the second quarter is 14.5 per cent.[35]

Unemployment is clearly not the best indicator of the immediate labour market impact of the crisis.[36] The ILO suggests considering the number of working hours lost every week due to the crisis and then transforming this information, for the purpose of illustration, into full-time equivalents (FTE). The short-term impacts are likely to be extremely bad, as many economic activities had to stop completely, while others have been operating at reduced capacity. Importantly, however, not all workers who stopped working during the lockdown were immediately unemployed. Some employers opted to continue paying their workers, either from their own resources or with the support of the newly introduced employment retention programmes, hoping that the worst of the crisis would soon be over. Until the end of June 2020, the ILO was able to produce nowcasting estimates at the aggregate level for the Western Balkan economies. Lately, the availability of high-frequency indicators for some countries – for example, North Macedonia and Serbia – has made the production of a direct nowcast possible. These should not be taken to be the actual number of jobs lost, however, given how the crisis has impacted workers and enterprises in Serbia (as elaborated in Section 3) and the fact that employment retention measures were announced and undertaken relatively early during the lockdown.

### Table 4.1 Working hours and FTE jobs lost in the Western Balkans and selected countries

| Reference area | Time | FTE jobs lost (40 hours) | FTE jobs lost (48 hours) | Percentage of hours lost |
|---|---|---|---|---|
| Western Balkans | 2020 - Q1 | 300 000 | 250 000 | 4.5 |
| Western Balkans | 2020 - Q2 | 980 000 | 810 000 | 14.5 |
| North Macedonia | 2020 - Q1 | 30 000 | 20 000 | 3.1 |
| North Macedonia | 2020 - Q2 | 120 000 | 100 000 | 14.1 |
| Serbia | 2020 - Q1 | 190 000 | 160 000 | 5.6 |
| Serbia | 2020 - Q2 | 510 000 | 420 000 | 14.8 |

Source: ILO Nowcasting model (26 June 2020).

Unemployment rates, levels of registered unemployment and other related indicators will play a more significant role in guiding policy decisions during the reactivation and recovery phases. Similarly to the ongoing trend in Western Europe, Serbia may experience a slow but steady decline in employment rates. The administrative data from the National Employment Service (NES) do not yet make it possible to produce a detailed picture of the current impacts on the labour market. As of July 2020, there were around 518,000 registered unemployed (287,000 women), almost 11,000 fewer than in December 2019 (when there were about 529,500 registered unemployed) and 4,000 more compared than in February 2020, just before the onset of the crisis. Overall, 2020 trends concerning cash payments made by the NES to beneficiaries do not diverge much from 2019 trends for the same period. In July 2020, the NES paid cash benefits to 32,965 unemployed (17,127 women), almost 1,800 fewer than in July 2019.

35 ILO Monitor: Covid-19 and the world of work. Updated estimates and analysis. Fifth edition (30 June 2020). Available at: https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_749399.pdf
36 ILO Monitor: Covid-19 and the world of work. Second edition (14 April 2020).

## 4.1 Beyond unemployment: workers and enterprises at risk

This section builds on the methodology used in the ILO Monitor on Covid-19 and the World of Work.[37] Based on real-time economic and financial data, the impact of the crisis on economic output can be assessed at the sectoral level. Some of the results of the enterprise survey conducted by employers' organizations are used to calibrate this assessment. The next section provides estimates of work and enterprises at risk, based on identification of the sectors most vulnerable to severe declines in economic output.

### 4.1.1 Mapping labour vulnerabilities at the sectoral level

The mapping of labour vulnerabilities at sectoral level takes into consideration 45 sectors[38] of the economy, representing around 90 per cent of the workforce in Serbia. A number of factors are used to determine the relative vulnerability level of each sector in terms of exposure to negative shocks. These factors include the incidence of self-employment (with particular consideration given to own-account workers) and informal employment; the precariousness of contracts (with special consideration for temporary and part-time work); wage levels; and the presence of micro-enterprises (up to 10 employees). A sector's aggregate labour vulnerability is estimated with a five-point granularity: low; low-medium; medium; medium-high; high. Overall, 27 sectors are considered medium-high or highly vulnerable to the shocks generated by the crisis, representing around 62 per cent of total employment (Table 4.2).

Women, who account for 76 per cent of employees in the health and care sector in Serbia, are in the front-line of the crisis. They are also overrepresented in the informal service sectors and in labour-intensive manufacturing (women represent 81 per cent of the workforce in apparel manufacturing, for instance). When the gender dimension is taken into consideration, 53.9 per cent of employment immediately falls into high-vulnerability sectors,[39] about 6 percentage points more than the number of jobs considered highly vulnerable in the initial scenario.

**Table 4.2 Exposure to shocks**

| | Total vulnerability | | Gender-related vulnerability | | Age-related vulnerability | |
|---|---|---|---|---|---|---|
| | No. of sectors | Share of employment (%) | No. of sectors | Share of employment (%) | No. of sectors | Share of employment (%) |
| Low vulnerability | 4 | 7.9 | 4 | 7.9 | 4 | 7.9 |
| Low-medium vulnerability | 9 | 11.9 | 5 | 8.2 | 5 | 7.5 |
| Medium vulnerability | 5 | 8.4 | 7 | 11.0 | 5 | 9.3 |
| Medium-high vulnerability | 11 | 14.6 | 10 | 9.4 | 7 | 9.5 |
| High vulnerability | 16 | 47.7 | 19 | 53.9 | 24 | 56.3 |

Source: Author's calculations based on the LFS.

37 Available at: https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/lang--en/index.htm
38 This refers to a two-digit classification of economic activities within the NACE framework (NACE Rev. 2).
39 For the purpose of outlining sectoral vulnerability profiles, a sector is considered female-dominated if the share of women exceeds the median share of women in sectors economy-wide. This tends to provide more accurate results, as women experience lower employment and higher unemployment and inactivity rates than men. The same logic applies when the analysis introduces age-related considerations.

With regard to age-related vulnerabilities, this first edition of the Rapid Assessment looks only at the specific vulnerabilities of young people (15–29 years of age) in the labour market. It adjusts the analysis of sectoral vulnerabilities by taking into consideration the findings from previous global crises concerning factors that make youth employment pro-cyclical, including a higher SME share of employment (ILO, OECD, IMF). Further iterations of the report are to take into consideration also the heightened vulnerabilities of older workers during this health crisis.

Annex 1 provides a detailed mapping of the labour vulnerabilities of sectors at the two-digit level.

### 4.1.2 Work and enterprises at risk

A similar approach is taken in order to identify work and enterprises at risk in specific sectors. In addition to the sectoral distribution of economic units, the analysis also considers different types of enterprises (employers and non-employer enterprises,[40] or own-account workers), along with employment by size of economic units. In this analysis, we make use of the Enterprise Survey conducted by the employers. About two-thirds of all employers and non-employer enterprises are in hard-hit sectors. Many of these sectors are characterized by varying degrees of informality and the policy space for responding to the needs of such enterprises is currently limited, or non-existent.

Workplace closures had an immediate and severe impact on enterprises' current operations and have left them at high risk of insolvency. Even when containment measures were lifted, surviving enterprises continued to face challenges. Multiple sources indicate that the recovery is likely to be uncertain and slow. For enterprises involved in global supply chains, disruptions to suppliers and consumers in other countries will continue to supress demand for their goods. Returning to business operations as usual is likely to require significant adjustments, with cost implications, including securing safe work environments. In the absence of effective policies, these new requirements are likely to impose severe constraints on enterprises.

The enterprise survey helps to determine the relative impact of the shock on sectors of operation. The detailed analysis uses 39 sectors.[41] Table 4.3 shows that a majority of sectors reported a medium impact (43.6 per cent), followed by those reporting medium-high and high impact (25.6 per cent).

40 For the purpose of this note, the term "non-employer enterprises" refers to independent workers without employees. This consists of owner-operators of firms without employees and own-account workers in household market enterprises without employees, which are the official terms in the Resolution concerning statistics on work relationships, 20th International Conference of Labour Statisticians: https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_648693.pdf

41 The survey responses map sectors of operation at one-digit level. Additionally, for a few sectors there were insufficient respondents. Given these limitations, the Task Force was able to identify the impacts of the crisis directly for 35 out of 45 sectors. For four additional sectors, the analysis assumes a similar impact as in sectors belonging to the same one-digit NACE (rev.2) group. Ultimately, 39 sectors are used for the analysis. Companies were asked, "What has been the level of financial impact (revenue or sales) on your business and disruption to business operations?", on a scale of 1 (no impact) to 4 (full impact). To arrive at 5-point granularity, the algorithm made further use of two additional questions: "Is your enterprise currently in operation?" and "How long would it take your enterprise to fully restore operations?". The size of the relative impact is calculated as the sector-specific average based on the enterprise survey.

### Table 4.3 Impact of the Covid-19 pandemic at sectoral level

| | | Impact | | | | | |
|---|---|---|---|---|---|---|---|
| | | Low | Low-medium | Medium | Medium-high | High | Total |
| Vulnerability | Low | 2 | 1 | 1 | 0 | 0 | 4 |
| | Low-medium | 2 | 1 | 5 | 0 | 1 | 9 |
| | Medium | 1 | 0 | 3 | 0 | 1 | 5 |
| | Medium-high | 0 | 2 | 5 | 2 | 1 | 10 |
| | High | 0 | 3 | 3 | 3 | 2 | 11 |
| | Total | 5 | 7 | 17 | 5 | 5 | 39 |

Source: Authors' calculations.

Table 4.4 cross-tabulates exposure to and the magnitude of the shock, at five degrees of granularity. The light-grey cells mark the sectors with medium-high and high vulnerabilities, which have been strongly impacted by Covid-19 (medium-high and high impact). The dark-grey cells highlight the area of greatest concern. There are 17 and 8 sectors, respectively, in these cells. These sectors employ 47.7 per cent and 36.5 per cent of workers in Serbia, respectively, which we consider to be the employment at risk and at high risk, respectively, of Covid-19. Note that these percentages may have been higher if we had had sources of information to evaluate the impact in all one-digit sectors.

### Table 4.4 Shock impact on employment, at sectoral level (%)

| | | Risk | | | | |
|---|---|---|---|---|---|---|
| | | Low | Low-medium | Medium | Medium-high | High |
| Vulnerability | Low | 5.9% | 0.7% | 1.3% | 0.0% | 0.0% |
| | Low-medium | 5.6% | 0.8% | 4.7% | 0.0% | 0.7% |
| | Medium | 0.6% | 0.0% | 7.0% | 0.0% | 0.8% |
| | Medium-high | 0.0% | 1.9% | 4.6% | 3.1% | 0.7% |
| | High | 0.0% | 4.8% | 5.8% | 26.2% | 6.5% |

Source: Authors' calculations.

The eight sectors that are highly exposed to and impacted by Covid-19 are as follows:

1. wholesale trade, except for motor vehicles and motorcycles
2. retail trade, except for motor vehicles and motorcycles
3. wholesale and retail trade and repair of motor vehicles and motorcycles
4. accommodation
5. land transport and transport via pipelines
6. Food and beverage service activities
7. forestry and logging
8. crop and animal production, hunting and related service activities

In these eight sectors, almost 314,000 individuals work on their own account and over 267,000 are informal workers; 735,000 workers work in micro-enterprises; and over 100,000 have only a fixed-term contract. Hence, the cumulative number of workers at the highest risk of losing of their jobs and incomes is around 5 to 25 per cent of total employment in Serbia.

Recent research confirms that already vulnerable workers – informally employed, self-employed, low-wage earners, employees with non-permanent contracts and in small firms, as well as women and young people – are at the highest risk of suffering from this economic downturn.[42] The greater impact of the crisis on workers and micro-enterprises already in a vulnerable position in the labour market risks exacerbating working poverty and existing inequalities.

The ILO's global estimates indicate that informal workers' monthly average labour income will fall by 28 per cent in upper-middle-income countries, 76 per cent in high-income countries and 82 per cent in lower-middle and low-income countries. With further increases in income inequality among workers, an even greater proportion of informal economy workers would be left behind. Assuming a situation without any alternative income sources, lost labour income would increase relative poverty for informal workers and their families by more than 21 percentage points in upper-middle-income countries and 56 percentage points in lower-middle-income economies.[43]

The table in Annex 2 provides a cross-tabulation of the mapping of sectoral labour vulnerabilities and the assessment of the impact of the crisis at the two-digit level.

## 4.2 Mitigating vulnerabilities: the role of labour market institutions

Since the beginning of the crisis, governments and social partners in countries with strong labour market institutions have had three main avenues for protecting jobs and workers' incomes. A first line of intervention is employment retention schemes, aimed at preserving employment while enterprises make their way through the crisis. This includes different types of schemes, including job-sharing and voluntary reductions in working hours. Temporary income support schemes have also been used for workers who are not generally eligible for employment retention measures (self-employed and seasonal workers, workers in atypical forms of work). A second line of intervention is to expand support for workers who will lose their jobs due to the economic slowdown by temporarily relaxing eligibility criteria for unemployment benefit and jobseeker allowance. A third line of intervention is the expansion of social protection tools (such as social assistance and activation schemes) for persons and households that do not qualify for job retention measures and protection against unemployment schemes.

In line with some of the pathways illustrated above, the authorities in Serbia have adopted a series of temporary measures to prevent or mitigate the negative economic and social consequences of the crisis (see Annex 4 for a list of the measures and Section 5 for a review of the impacts). Delivery, continuation and expansion of these measures and schemes would, however, require investments in the operational capacities of the ministry in charge of labour and in the efficiency of the national employment service (NES), as well as better cooperation with other institutions, such as the Centres for Social Work and the Tax Administration. In the same vein, the Labour Inspectorate and trade unions play a significant role in negotiating and monitoring safe return to the workplace, in partnership with the employers and their organizations, during the reactivation phase. The OSH Directorate in Serbia has issued a Rulebook of preventive measures for safe and healthy work and prevention of Covid-19 spreading at workplaces. It is, for example, mandatory for all employers to prepare a plan of preventive measures and inform the workers accordingly by 10 August. The Rulebook is based on the Law on Occupational Safety and Health and obliges employers to put in place preventive measures to minimize risks at the workplace. The Rulebook does not apply to fieldwork and telework.

42 https://www.iza.org/publications/dp/13249/social-stability-challenged-pandemics-inequality-and-policy-responses
43 ILO Monitor: Covid-19 and the world of work (29 April 2020), Third edition, Updated estimates and analysis.

The crisis has triggered a number of questions concerning the adequacy of labour legislation in difficult times, particularly the state of emergency and institutional preparedness in case of future waves of the virus. In March 2020, the Government issued a decree on work organization during the state of emergency – including working from home – but it fell short of providing an adequate legal framework for practical implementation. Moreover, it derogated from Article 42 of the Labour Code, which deals with work conducted outside the employer's premises (working from home).[44] No new proposals have emerged so far concerning amendments to the Labour Code that would better adapt the legislative framework in Serbia to the new circumstances. This might include the organization of work processes in emergency conditions, shortening and redistribution of working hours, reduction of wages, exercising the right to annual leave, paid and unpaid leave and workers on stand-by. Some of the existing provisions have come under closer scrutiny during the crisis. In particular: (i) the lockdown, restrictions on movement and anticipated disruptions of supply chains brought up the question of possible revision and expansion of the list of essential activities, much debated in the past within the preparation of the new Law on strikes. (ii) According to the Labour Code (Article 116) an employee is entitled to wage compensation of at least 60 per cent of the average monthly wage[45], in situations where there is an interruption of work for no fault of the employee, for a maximum 45 working days in a calendar year. In exceptional cases when the interruption of work or lower demand for work last longer, the employer is allowed to impose a leave longer than 45 working days onto an employee, with prior permission from the Minister and with the wage compensation described above. Before giving permission, the Minister is supposed to seek the opinion of a trade union representative at the sectoral/branch level. (iii) The Labour Code (Article 173) allows employers to move their employees into another place/town of work, as long as it is not more than 50km away from the previous workplace, and with the appropriate coverage of commuting expenses. During the pandemic, however, many doctors had to move from their place of work and residence to towns and places much further away than 50km. This was made possible by the state of emergency but would not be feasible under normal circumstances. (iii) The labour laws do not specify workers' protection in the case of mandatory isolation or quarantine. Instead, the issue of wage compensation of compulsorily insured persons in the case of temporary incapacity to work is regulated by the Law on health insurance. Temporary incapacity could be caused by the mandatory isolation of a possibly infectious person or by the appearance of an infectious disease in their immediate surroundings. The wage compensation amounts to 65 per cent of the employee's average wage in the last 12 months of work, which cannot be lower than the national minimum wage. It is paid by the Health Fund.

44 During the state of emergency, two sets of laws applied to workers: the "ordinary" ones – including the Labour Code, the Law on occupational safety and health, the Law on health insurance, the Law on social protection and the Law on Public Servants – and the "extraordinary" ones, such as the Law on protection from infectious diseases, the Law on defence and the Law on military, work and material duties. The Labour Code and the Law on occupational safety and health do not contain special provisions regulating workers' rights during the state of emergency. Laws belonging to the second group, such as the Law on protection from infectious diseases, introduce additional obligations on employers and workers related to special occupational safety measures, the breach of which could lead to the cancellation of labour contracts.

45 The average monthly wage is calculated on the basis of the previous 12 months. In any case, 60 per cent of this amount cannot be lower than the minimum wage.

# 05

## Policy responses and gaps

## 5.1 Overview of the policy response[46]: four key pillars based on international labour standards

As of 1 June 2020, the Government of the Republic of Serbia had adopted several sets of policy measures to mitigate the impact of Covid-19 on the economy and the world of work. A summary is included in Annex 4. Policy measures were organized around four pillars based on international labour standards. The ILO uses this framework to structure dialogue on policy responses at the global level. Naturally, some policy measures cut across several pillars and are mutually reinforcing. Furthermore, as noted in Section 1, the relative effectiveness of some aspects of the policy packages depends on their coming to fruition during the right phase of the crisis.

**Figure 5.1 Covid-19 and the world of work: policy responses**


Source: ILO, 2020.

In order to facilitate cross-country comparison, some ongoing research (Bruegel University, IMF) structures discretionary fiscal responses to Covid-19 into three categories: immediate fiscal impulse, deferrals and other liquidity provisions, and guarantees.[47]

46 This review considers only measures already adopted. Other measures – under discussion at the time of writing – will be added to the analysis once adopted.

47 Immediate fiscal impulse: additional government spending (such as medical resources, keeping people employed, subsidising SMEs, public investment) and forgone revenues (such as the cancellation of certain taxes and social security contributions). Deferrals (in principle to be repaid later): payments, including taxes and social security contributions, servicing of loans, the payment of utility bills (even if the loans were granted by private banks and utilities are provided by private providers). Other liquidity provisions and guarantees: these measures include export guarantees, liquidity assistance, credit lines through national development banks. https://www.bruegel.org/publications/datasets/Covid-national-dataset/

### Table 5.1 Discretionary fiscal response (as of 30.06.20)

| | Total pledged (% of 2019 GDP) | Total actual (% of 2019 GDP) | Immediate fiscal impulse (million EUR) | Deferrals (million EUR) | Other liquidity/ guarantees |
|---|---|---|---|---|---|
| WB-6 | tba | | tba | tba | tba |
| Montenegro | 3.6 | 1.27[48] | 34.6[49] | 28 [50] | No information to date |
| North Macedonia | 5 | tba | 60 | Limited information to date[51] | No information to date |
| Serbia | 11 | 5 | 2400[52] | tba | No information to date |

Source: Authors' elaboration.

As of 30 June 2020, the Government had committed cash support to enterprises and individuals in the amount of 11 per cent of GDP. Around EUR 950 million were allocated to employment retention subsidies for March, April and May (the latter was disbursed during the first half of July). The Government also spent EUR 620 million on one-off assistance to all adult citizens, EUR 58 million on one-off assistance to 1.7 million pensioners, and an undisclosed amount on deferrals of tax payments and non-tax claims.

On 10 April, the Government introduced a set of economic measures with the Decree on fiscal incentives and direct grants to private companies and citizens aimed at reducing the economic effects caused by the COVID-19 illness.[53] This programme of "fiscal incentives" contained the three key types of measures classified by Bruegel. The direct fiscal impulse included remarkably broad and generous direct subsidies to private firms and the population at large, in order to mitigate the economic consequences of the pandemic. In the programme the Government underlined the need for "efficient implementation of fiscal measures without unnecessary procedures, so that the help arrives in time to those who need it the most".[54] The Government initially estimated the total cost of the Covid-19 stimulus measures at EUR 5.1 billion, or RSD 608.3 billion, which represents about 11 per cent of GDP in 2019. [55] Although this estimate appears to have been exaggerated by the inclusion of the full amount of tax deferrals and loan guarantees, which will cost the Government and the banks less in net terms, it can safely be said that the support to firms and citizens has been the most generous and comprehensive among all the Western Balkan economies.

Tax deferrals included (i) taxes and contributions on salaries and salary compensation for the duration of the state of emergency, and (ii) advance payments of corporate income tax until the submission of the final corporate tax returns for 2020. The Government also implemented guarantee schemes through commercial banks with a view to backing loans aimed at supporting liquidity and working capital for small business owners, SMEs and agricultural enterprises.

The Serbian Innovation Fund (SIF) introduced a tailored call for proposals for micro, small and medium enterprises (MSMEs) developing new products, technologies and prototypes that could help to cope with the crisis in the short run. By the end of March, SIF had signed 12 contracts; in May, the selected

48 Amount includes sum of subsidies, assistance to individuals and deferrals.
49 Total amount of subsidies for enterprises and assistance to individuals.
50 Since implementation commenced of the Decree on the conditions for the disposal of tax and non-tax claims, taxpayers have been able to defer liabilities in the amount of EUR 28 million (as of May 11): Source: Tax Administration of Montenegro.
51 Only preliminary data were available at the time of writing.
52 Government estimate, including deferrals and loan guarantees.
53 Uredba o fiskalnim pogodnostima i direktnim davanjima privrednim subjektima u privatnom sektoru i novčanoj pomoći građanima u cilju ublažavanja ekonomskih posledica nastalih usled bolesti COVID-19.
54 https://www.mfin.gov.rs/wp-content/uploads/2020/04/PROGRAM-01-WEB.pdf
55 https://www.srbija.gov.rs/vest/en/152964/state-sets-aside-51b-to-mitigate-coronavirus-economic-blow.php

companies had to develop their products and services (for example, reusable protective masks, devices for disinfection).

In order to support tourism and hospitality, transport and logistics, the Government distributed 160,000 holiday vouchers for destinations within Serbia. On 12 May, the Government announced its readiness to provide further assistance to enterprises in vulnerable sectors, including hoteliers, travel agencies and bus companies. On 28 May, the Government adopted new measures providing further support to tourism, hospitality and transport. Companies from these segments will be able to take out loans from the Investment Development Fund (IDF) to improve their liquidity and working capital under more favourable conditions, which include a longer repayment period of up to five years and a grace period of up to two years. The IDF offered working capital loans (up to EUR 3 million per borrower) to companies operating in medical supplies, tourism and hospitality, and food processing. Measures to support farmers eased eligibility criteria for loans and financial assistance.

Within this overall effort to support businesses through a challenging time, the city of Belgrade decided not to charge rent for office or business space during the state of emergency. At the end of the period, tenants have 30 days to indicate how they want to pay the lease.

The Government used two kinds of employment retention subsidies, one targeting unincorporated businesses and micro, small, and medium-sized (MSME) enterprises and one targeting large enterprises.

The first measure included the payment of the net minimum wage[56] for each full-time worker employed in March, April and May (provided that they submitted the official form for their salaries). The compensation for part-time employees was a share of the net minimum wage in proportion to the working hours stipulated in the contract. These payments occurred with a two-month delay (in May, June and July, respectively). Although the initial assessment was that around 900,000 workers would be eligible for this support, information from the Ministry of Finance suggests that about 1,050,000 employees have benefitted. The amount of the compensation was not differentiated by sector or based on the assessment of the firm's individual losses. All economic entities in the private sector – except those in finance and insurance[57] – were eligible, provided that they had not dismissed more than 10 per cent of their workers between 15 March and 10 April.

The employment retention measure targeting large enterprises included the payment of 50 per cent of the minimum wage for each employee who was obliged to take leave during the lockdown (state of emergency). Similar to the previous measure the payments are available for March, April and May (if the relevant documentation had been submitted) with a two-month delay (in May, June and July). At the moment, full information about the number of employees for whom employers requested this subsidy is not available.

Income support measures include the following:

1. **A one-off universal cash transfer to all adults.** In addition to measures aimed at supporting jobs and enterprises, the Government introduced a one-off universal cash transfer of EUR 100 to all citizens (estimated cost: RSD 70 billion). While pensioners and social assistance beneficiaries received the amount automatically, other adult residents had to apply for this transfer. According to the Ministry, 6,145,529 people have received[58] the transfer, yielding a total EUR 615 million (or about RSD 72 billion).

56 In March, the net minimum wage was 30,367 RSD or about EUR 258.
57 More precisely, the measure excluded businesses belonging to sector K in the NACE Rev.2 classification. These are: banks, insurance and reinsurance companies, voluntary pension fund management companies, financial leasing providers, payment institutions and electronic money institutions.
58 https://www.mfin.gov.rs/aktivnosti/mali-zavrsava-se-isplata-100-evra-ispunili-smo-dato-obecanje/

2. **One-off financial assistance to pensioners and temporary benefit beneficiaries**[59] – on 25 March, all pensioners and temporary benefit beneficiaries who had exercised their rights were paid a one-off financial assistance in the amount of RSD 4,000 (about EUR 34).

3. **Assistance to the most vulnerable women**[60] – as of 10 April more than 14,000 of the most vulnerable women in 50 municipalities across Serbia had received assistance worth EUR 100,000 in hygiene packages and essential foodstuffs as part of the EU support to Serbia in the fight against Covid-19.

4. **Financial assistance to freelance artists**[61] – on 10 May the Government announced that it would spend approximately RSD 212 million (EUR 1.9 million or 0.04 per cent of GDP) from the state budget as financial assistance to independent artists in Serbia. It was announced that independent artists would receive RSD 30,000 per month net, for a period of three months, through local self-governments. The total expenditure and the amount of the assistance announced suggest that Government intends to aid about 1,500 independent artists.

5. **Increasing wages in the health sector by 10 per cent**[62] – since April, employees in health care institutions, (including health care personnel in military, social care and penitentiary institutions) have been entitled to a basic salary supplement in the amount of 10 per cent.

6. **Increased employment in the health sector** – since 13 April more than 2,500 doctors and nurses have been employed who were previously doing residencies or had fixed-term contracts.[63] Additionally, on 28 May the Government approved the employment on an indeterminate basis of 455 caregivers and 127 health workers at social care institutions who were hired during the state of emergency on a temporary basis.[64]

On 12 June, the Government announced new measures to stimulate youth employment. As part of this programme, the Government pledged to assist young people who have graduated high school or college to find job while simultaneously motivating employers to hire through subsidies: RSD 2 billion (approximately EUR 17 million) were allocated from the state budget for this project. The Minister of Finance has also announced additional training programmes for those who wish to find a new job. The implementation of these measures will most likely begin in the autumn of 2020.

## 5.2 Winners and losers in the current phase of the crisis

The ILO/EBRD Task Force has carried out a preliminary analysis of the policy response in Serbia. This looks at: (i) the intensity of the impact of the measures, and (ii) the differentiation and distributional impacts of the policy package. Furthermore, given that Serbia has adopted the most comprehensive economic package in the Western Balkans, providing near-universal support to both businesses and citizens, it is useful to assess its effects on income levels, income distribution and poverty. The report also briefly outlines the importance of assessing counterfactual measures (one such example is provided with regard to the inclusion of children) and to draw policy lessons for the follow-up interventions that will be needed as the health crisis continues into summer.

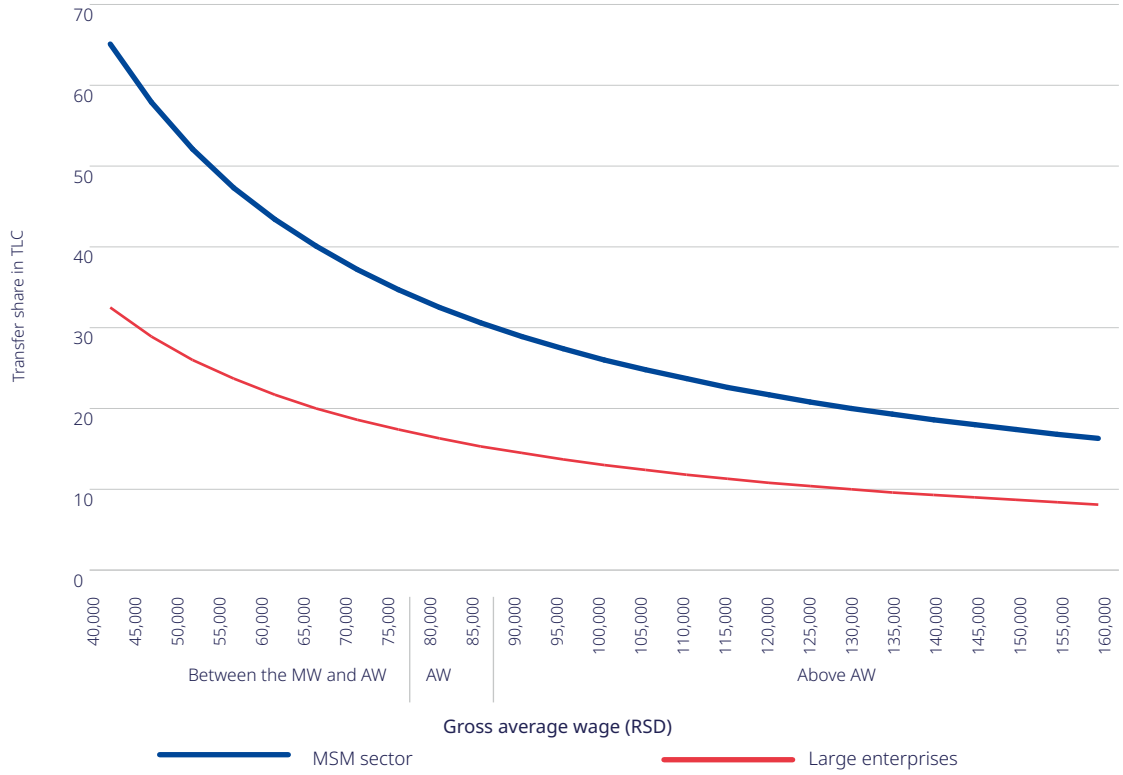
Figure 5.2 presents the intensity of the employment retention subsidy along the wage distribution as its share in total labour costs per employee. At the level of the minimum wage (about RSD 30,000 net or RSD 40,000 gross) the government subsidy to micro, small, and medium enterprises (MSME sector) amounts to about 65 per cent of total labour costs, as it covers the complete net (take-home) minimum wage, but

59 https://www.srbija.gov.rs/vest/en/152484/government-recommends-payment-of-full-amount-of-pensions.php
60 https://www.srbija.gov.rs/vest/en/153866/assistance-for-14000-most-vulnerable-women-in-serbia.php
61 https://www.srbija.gov.rs/vest/en/155784/government-approves-financial-assistance-to-freelance-artists.php
62 http://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/uredba/2020/48/2/reg
63 https://www.srbija.gov.rs/vest/en/154079/serbia-employs-2500-new-health-workers.php
64 https://www.srbija.gov.rs/vest/en/156639/full-time-employment-for-455-caregivers-127-health-workers-at-social-care-institutions.php

not the taxes and contributions paid. As the amount of the transfer is fixed, thus not related to the actual wage of the employee, its share in total labour costs decreases as wage levels go up. At the level of the average wage (in March 2020 the average gross wage stood at RSD 82,320 and the net average wage was about RSD 60,000[65]), the share of the transfer is about 31 per cent, while at the level of two average wages the share is about 16 per cent of total labour costs. In general, given that the wage distribution is densest between the minimum wage and the average wage – about 65 per cent of all formal wages fall within this range – the subsidy is quite generous and progressive. The retention condition is not particularly strict, as firms can shed up to 10 per cent of their workforce anytime between March and September (with the baseline set in February 2020).

The subsidy for large enterprises amounts to about 50 per cent of the minimum wage. Given that it amounts to 50 per cent of the subsidy for the MSME sector, the subsidy accounts for 32 per cent, 16 per cent and 8 per cent of total labour costs at the levels of minimum, average and two average wages, respectively.

### Figure 5.2 Share of the employment retention subsidy in total labour costs (per individual worker)




Source: Authors' elaboration.

The subsidy per worker for large enterprises is only half as generous as that in MSM firms (covering only 50 per cent of the net minimum wage per employee); furthermore, large enterprises can receive subsidies only for workers unable to work due to pandemic-induced disruption. Businesses from the MSME sector can obtain the subsidy without having to prove that they experienced a reduction in revenues or similar loss. For sectors and enterprises that did not face disruption or reduced demand, these transfers can be viewed as windfalls from the Government rather than as compensation for losses incurred. Admittedly, these "winners" are rare, but far from non-existent. According to a business survey conducted by think tanks CEVES and RSO, around EUR 230 million (out of EUR 950 million) might have been disbursed to MSM firms that did not experience economic losses.

65 https://publikacije.stat.gov.rs/G2020/Pdf/G20201130.pdf

### Table 5.2 Subsidy share in total formal wage bill

| | Formal wage bill (month/ million EUR) | Cost of the job retention package (est. month/ million EUR) | Coverage of the private sector workforce (%) | Subsidy (%) | Subsidy (adjusted) (%) |
|---|---|---|---|---|---|
| WB-6 | tba | tba | tba | tba | tba |
| Montenegro | 162.3 | 16.3 | 45 | 13.8 | n.a. |
| North Macedonia | 385 | 33–44 | 35 | 8–12 | 4–6 |
| Serbia | 1050 | 317 | 85 | 30 | 15 |

Source: Authors' elaboration.

With regard to the effects of the policy packages on income levels and income distribution, the report presents four "cumulative" scenarios – based on ex-ante microsimulation analysis of SILC data – whereby each subsequent scenario adds the impacts of an additional policy measure to the previous one.

In Scenario 1, the impact of Covid-19 translates into a differentiated loss of income among the employed population. No policy measures are taken under this scenario. In Scenario 2, the impact of the key employment retention measure – the subsidy in the amount of three minimum wages – is also simulated. In Scenario 3, the impact of the key income maintenance subsidy of EUR 100 per adult is added. In Scenario 4, the impact of the flat subsidy of 4,000 dinars to all pensioners is additionally simulated.

In order to simulate the changes in household disposable income due to the Covid-19 crisis, annual workers' (i) net labour earnings[66] are multiplied by the loss index. The income losses are aggregated at the household (h) level and the disposable income for scenario 1 is calculated:

$$Dispinc_{c,h,1} = Dispinc_{h,0} - \sum_h (Lossindex_{c,i} * Employmentincome_{c,i})$$

Scenario 2 accounts for the measures introduced to mitigate the effects of the crisis on enterprises (deferred taxes and direct grants from the budget). The analysis assumes that the government measures reduced income losses (by preserving jobs and compensating wage losses) by 70 per cent, on average, for less vulnerable types of employment (permanent employees and employers with employees), while having no effect on vulnerable workers.

$Dispinc_{h,2} = Dispinc_{h,0} - \sum_h (0.3 * Lossindex_i * Employmentincome_i)$, for permanent employees and self-employed with employees

$Dispinc_{h,2} = Dispinc_{h,0} - \sum_h (Lossindex_i * Employmentincome_i)$, for temporary employees and self-employed without employees

In Scenarios 3 and 4, two other important social transfers are added to the disposable income from Scenario 2 (including losses attenuated by the subsidies given to economic entities in the private sector) for each eligible individual within the household. These Covid-related social transfers are the one-off universal cash transfer to adult population (UCT) and the one-off financial assistance to pensioners and temporary benefit beneficiaries (FAP).

$Dispinc_{h,3} = Dispinc_{h,2} + \sum_h (UCT_i)$,

$Dispinc_{h,4} = Dispinc_{h,2} + \sum_h (UCT_i + \mathrm{FAP}_i)$

66 Net labour earnings are defined as the sum of variables py010n – employee cash or near cash income, py020n – non-cash employee income and py050n – cash benefits or losses from self-employment (names of the variables refer to harmonized SILC data; variables definitions available at https://ec.europa.eu/eurostat/web/income-and-living-conditions/methodology.

Table 5.3 presents the analysis of the poverty[67] and inequality indicators under various scenarios in relation to the baseline (pre-Covid-19) disposable income and disposable incomes from scenarios 1 to 4.

### Table 5.3 Changes in poverty rates and in the Gini coefficient

| | Baseline | S1 | S2 | S3 | S4 | S1 | S2 | S3 | S4 |
|---|---|---|---|---|---|---|---|---|---|
| | Values | | | | | Change in percentage points (compared with the baseline scenario) | | | |
| Poverty rate by age group | | | | | | | | | |
| 0–17 | 28.8% | 32.7% | 30.7% | 28.1% | 28.1% | 3.9 | 1.9 | –0.7 | –0.7 |
| 18–24 | 29.1% | 32.9% | 31.2% | 27.6% | 27.5% | 3.8 | 2.1 | –1.5 | –1.6 |
| 25–60 | 23.4% | 26.5% | 25.0% | 22.5% | 22.4% | 3.1 | 1.6 | –0.9 | –0.9 |
| 61+ | 21.7% | 22.5% | 22.2% | 19.3% | 19.0% | 0.8 | 0.5 | –2.4 | –2.7 |
| Total | **24.3%** | **26.9%** | **25.7%** | **22.9%** | **22.8%** | **2.7** | **1.4** | **–1.3** | **–1.5** |
| Gini coefficient | | | | | | | | | |
| Total | **35.6** | **35.7** | **35.8** | **34.4** | **34.3** | **0.1** | **0.2** | **–1.2** | **–1.3** |

Source: Authors' calculation from microsimulations based on SILC 2018 data.

**Scenario 1** allows us to analyse the likely impact of the lockdown on incomes (by age group), in 2020, in the absence of government intervention. The reduction in income would clearly more significantly affect the working age population and their dependants: the poverty rates of those aged 25–60 would increase by 3.1 percentage points, while the poverty rates of children (0–17) and young adults (18–24) would increase even more, by 3.9 and 3.8 percentage points, respectively. The least affected would be the age group 61+, which predominantly relies on pensions as a stable and guaranteed source of income. The Gini coefficient would remain roughly constant under this scenario (slight increase by 0.1 Gini points), which means that the equalizing effect of reduced wages on overall inequality would be fully offset by the increased wage inequality and loss of jobs among the category of vulnerable employed.

**Scenario 2** isolates the welfare effect of the most expensive and powerful measure – the employment retention subsidy equivalent to three minimum net wages during the period April–June. Because it is disbursed to enterprises rather than directly to employees it affects the key welfare outcomes of the population through the preservation of jobs and, consequently, incomes from labour that would otherwise have been lost (as presented in Scenario 1). This measure reduces the poverty rate by 1.2 percentage points from 26.9 to 25.7 per cent, only halfway back to its pre-Covid level of 24.3 per cent. The effect is relatively proportional across age groups, with only the oldest group being slightly less responsive, due to its composition. The Gini coefficient barely changes (another slight increase by 0.1 Gini points), which is the consequence of two mutually neutralizing trends. Some jobs in the high-risk sectors are saved due to the employment retention subsidy, which decreases the wage and overall inequality compared with the Scenario 1 outcomes. On the other hand, the measure does not effectively protect the most vulnerable workers (informally employed, temporary and service contract workers), therefore effectively worsening their relative position and increasing wage and overall inequality. Although certainly many jobs are saved in Scenario 2, this is not enough to restore pre-Covid (baseline) employment among vulnerable workers.

**Scenario 3** adds the key income support measure – the one-off EUR 100 grant to all adult citizens. Although its total cost is roughly only two-thirds of the total cost of the employment retention subsidy,

67 The poverty line in each scenario is drawn at 60 per cent of the national median equivalised disposable income (after taxes and social transfers).

the distributional and anti-poverty effect of the measure is remarkably strong, roughly twice the impact of the employment retention subsidy. Its introduction reduces the poverty rate from 25.7 to 22.9 per cent, below its pre-Covid level,[68] with all age groups benefiting from it roughly equally, while the strongest impact is on the age group of young adults (18–24), whose poverty rate drops from 31.2 per cent under Scenario 2 to 27.6 per cent under Scenario 3. Thanks to their eligibility for the grant, young adults become less exposed to poverty than children, who still see (through the grants allocated to their parents) their poverty risk reduced from 30.7 to 28.1 per cent. Finally, Scenario 3 reduces the Gini coefficient from 35.8 in Scenario 2 to 34.4. To get an idea of the size of this reduction, this is approximately equal to the effect of including all natural consumption in the calculation of the Gini coefficient.[69]

The impact of Scenario 4 is clearly very limited, and this measure granting additional 4,000 dinars to some 1.7 million pensioners appears ill-conceived, targeting the population category that is least exposed to poverty risk in general and specifically to income loss due to pandemic impact. The baseline poverty risk of all pensioners is 17.1 per cent, significantly higher only than full-time permanent employees (6 per cent), but lower than vulnerable workers (19.9 per cent) and much lower than the other inactive and unemployed categories. It should be noted that, according to ILO expert estimates, based on SILC data, there are close to 200,000 old people without pensions, most of them in rural areas, with very high poverty risk but they have not been made eligible for this measure. Thus, this intervention has reduced poverty of people aged 61 and older only by some 0.3 per cent (from 19.3 per cent to 19 per cent) and has had no effects on other age groups.

It is interesting to note that **the two key policy response measures described in Scenarios 2 and 3 follow the same universalistic logic. Neither of them is fully universal:** while the minimum wage subsidy excludes (to a degree) large firms, the EUR 100 cash grant excludes children. These exclusions are not symmetrical: large firms are indeed the least vulnerable, and they could still get some support for temporarily idle employees; on the other hand, children are the most vulnerable segment of the population. Still, the "errors of inclusion" of both measures are more formidable: the former allowed firms that did not experience any hardship to get the subsidy, while the latter allowed well-off people and those who have not experienced any income losses to get the cash grant. Defending this approach, the Government underlined the importance of these two measures for keeping the wheels of the economy properly oiled. In the first case, they operated by protecting jobs and thus incomes that would otherwise be lost; in the second instance, by creating additional demand in the economy (they frequently used the term "helicopter money") and thus again contributing to the preservation of incomes and jobs. The Government to a lesser extent stressed potential welfare benefits of the cash grant measure.

The general reaction to the minimum wage grant to firms was unreservedly positive, while it was almost unequivocally negative to the cash grant for the population. Giving money to firms that did not experience any losses due to the pandemic was not seen to be as problematic as giving money to people who are not poor by the official "Spartan" criteria (income below EUR 72 for single persons). Even though these people might have experienced significant losses, public opinion held this to be irresponsible and populist (reasons of "political economy" were often invoked, alluding to the elections held in June).

In reality, the microsimulations presented above show that these two measures have been able to contain the expansion of poverty only jointly, although the cash grant measure alone was able to bring down the Gini coefficient. The microsimulations focusing on variants of cash grants to the population reveal that if the EUR 100 cash grant was extended to children, their welfare outcomes would be significantly improved and the exposure to poverty risk by age would be more balanced. As presented in Table 5.3, the poverty rate for children would drop by 1.3 percentage points, for young adults (18–24) by 0.5 percentage points, for adults (25–60) by 0.6 percentage points and for older adults (61+) by 0.2 percentage points.

68 The rate is based on the concept of relative poverty.
69 Krstić, G., 2016. Why income inequality is so high in Serbia: Empirical evidence and a measurement of the key factors. ***Economic Annals***, 61 (210), pp. 23–46.

**Table 5.3 Simulating the poverty and inequality effects of two realized income support measures (Scenarios A and B) and of the extension of cash grants to children (Scenario C)**

| Age group | Size of age group | Poverty rate (percentage) | | | | Change (percentage points) | | |
|---|---|---|---|---|---|---|---|---|
| | | Baseline | After A | After A+B | After A+B+C | After A | After A+B | After A+B+C |
| 0–17 | 1,205,986 | 28.8 | 26.1 | 26.1 | 24.8 | 2.7 | 2.8 | 4.0 |
| 18–24 | 521,529 | 29.1 | 25.7 | 25.7 | 25.2 | 3.4 | 3.4 | 3.9 |
| 25–60 | 3,288,616 | 23.4 | 20.7 | 20.7 | 20.1 | 2.7 | 2.7 | 3.3 |
| 61+ | 1,942,082 | 21.7 | 18.8 | 18.4 | 18.2 | 2.9 | 3.3 | 3.5 |
| Total | 6,958,213 | 24.3 | 21.5 | 21.3 | 20.8 | 2.8 | 2.9 | 3.5 |
| Gini coefficient | | | | | | | | |
| | | 0.356 | 0.342 | 0.341 | 0.337 | 1.4 | 1.4 | 1.9 |

A. Universal cash transfer to adult population
B. One-off financial assistance to pensioners
C. Universal cash transfer to children

Source: Authors' microsimulations based on SILC database.

From the outset, the Covid-19 crisis in Serbia presented some adverse features, including a strict lockdown, widespread economic disruptions, as well as existing and new vulnerabilities across age groups and labour market statuses. These characteristics have provided a compelling rationale for policy-makers to pursue comprehensive policy responses, which are by their nature more prone to "errors of inclusion" (providing assistance to those who do not really need it) than to "errors of exclusion" (not providing assistance to those who need it). In this respect, some important lessons could be learned from the "Serbian exception".

## 5.3 Options for a more inclusive policy response and the next phase

Differing from other Western Balkan countries in its early response to the challenge of pandemic, Serbia has relied on two key measures: generous near-universal employment retention measures and a one-off cash grant for all adult members of the population. Although the latter measure was presented as "helicopter money", aiming primarily to support the economy and employment by stimulating additional consumption, conceptually it is a clear (albeit one-off) example of universal basic income. It has proven to be a blunt, but powerful way to support both the old and the new poor and vulnerable, who otherwise represent a recurring problem for policy responses throughout the region.

The key question for the forthcoming period, which hopefully will be marked by a gradual transition to full recovery, is whether the current universalistic philosophy should be maintained or not. By the second half of July, the Government had committed to providing additional indiscriminate support to beneficiaries of employment retention measures in the amount of 60 per cent of the net minimum wage for July and August. Business entities already eligible for support will get it automatically; and the retention condition will be automatically prolonged for the three following months, namely September through November. For now, no corresponding income maintenance measure has been announced.

Consensus is gradually forming that the new set of measures past August will have to shift toward a more selective approach. While during the lockdown the urgency of the situation and the diversity of risks faced by the population required – and Serbia's fiscal position allowed – the approach taken, it was less justified to extend such general support

for a further two months and it would be even less justified to do so some six months into the crisis. At present, however, it does not seem that the Government is attempting to identify those most vulnerable to and most affected by the crisis, especially when it comes to different population groups.

The roles of the social partners and of the Social Council are critical during this phase, as trade-offs have to be negotiated on the basis of evidence, cost–benefit analysis of different options and fairness. The ILO and the EBRD can support the Social Council in running such a cost-benefit analysis of alternative options.

As in other middle-income countries, the fiscal space in Serbia may be pushed to its limits relatively quickly. A deep recession might otherwise set in, making recovery more difficult and perhaps costlier. The social partners and the Social Council will play a crucial role during the reactivation phase in negotiating balanced sector-specific guidelines for a safe return to work and influencing the behaviour of both workers and enterprises.

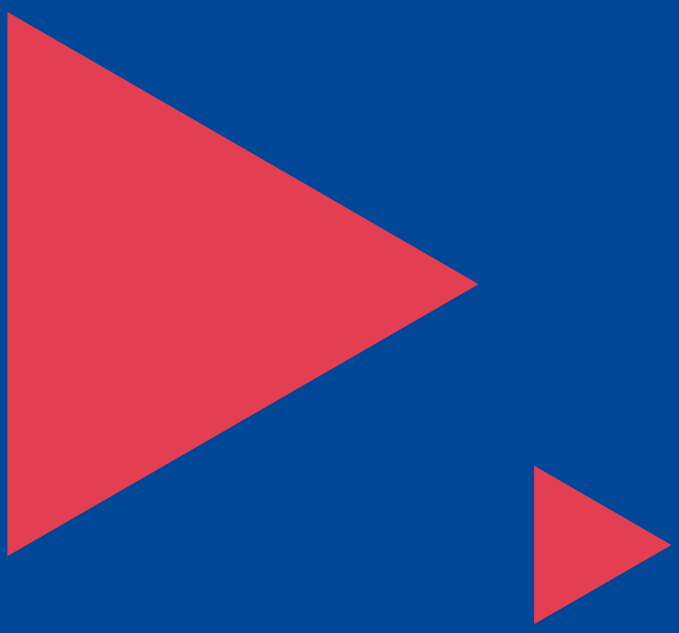
Admittedly, there is one exception to the general lack of focus on specific population categories, namely the preparation of the new youth employment programme. Young people are especially vulnerable during economic crises because they face multiple challenges. If employed, their jobs are typically protected only by weak, if any, employment contracts, while if they are unemployed, the number of decent jobs shrinks alongside increased competition, including from prime-age workers. If they are in education or training, they need to overcome disruption and to preserve their motivation for learning. As noted in Section 2, the school-to-work transition is difficult in Serbia, even during favourable economic times, and it will be much more difficult for students graduating from secondary schools and universities during the coming months. Because of the risk that they will be scarred for the rest of their working lives, the ILO has warned about the risks of an **emerging lockdown generation** (ILO Monitor, 4th edition).[70] Announced under the title "My first salary", this new programme very much resembles the earlier large-scale programme "The first chance", which was implemented about ten years ago in response to the rapid deterioration in youth employment during the financial and economic crisis. This is a wage subsidy programme with elements of on-the-job training. The subsidy will amount to RSD 24,000 (approximately EUR 200) for university graduates and RSD 20,000 (approximately EUR 170) for secondary school graduates. The total amount to be expended for this activity is some RSD 2 billion (EUR 170 million), or 0.33 per cent of GDP. It would be important for the national employment service and other institutions involved to base the design of this new youth employment programme on the results of the impact evaluation of its predecessor and international best practice related to similar programmes. This would hopefully reduce any potentially negative effects, such as deadweight losses.

On the other hand, the idea of helping a large number of returnee circular and seasonal workers with incentives to stay and work in Serbia (later refined to include all those who will not be able to move for temporary work outside Serbia this year), appears to have been silently dropped. It would still be important to design some tangible incentives for all those who had work permits in a foreign country between, for example, January 2019 and July 2020. This would also provide a glimpse into the size and structure of this notoriously hard-to-capture, but mostly vulnerable population. The number is estimated by ILO experts to be in the range of 150,000 potential migrants.

The lesson learned from the "helicopter-UBI" approach is that, although expensive, it works very well in supporting those who are most in need, and is beneficial, however modestly, in protecting those whose relative positions have worsened. These advantages gradually diminish as the impact of the pandemic on businesses and families becomes more differentiated and fiscal space narrows. Even in its expensive form, however, a "UBI" might provide an antidote to the apparently prevailing logic in government circles that merely preserving jobs and production should be enough to keep the social costs of the pandemic at bay. Nevertheless, behind the relatively favourable averages there might be few winners and many losers. These include, for instance, the 200,000 elderly people without pensions in rural areas. Even

70 https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_745963.pdf

though, theoretically, after the lockdown they could go back to their pre-Covid ways of making ends meet, the prolonged crisis has certainly disrupted the fragile balance on which their livelihoods hinged. Among other losers are those who will definitely be worse off compared with the counterfactual situation of no Covid crisis. These include the 150,000 temporary migrants mentioned above; those dependent on atypical work in hard-hit industries, such as tourism, entertainment and restaurants; and young graduates from secondary and tertiary institutions facing a lack of job opportunities during the crucial period of school-to-work transition.



# Annexes

## Annex 1 Mapping labour vulnerabilities by sector

| Sector | |
|---|---|
| Crop and animal production, hunting and related service activities | |
| Retail trade, except for motor vehicles and motorcycles | |
| Education | |
| Public administration and defence; compulsory social security | |
| Human health activities | |
| Undifferentiated goods- and services-producing activities of private households for own use | |
| Land transport and transport via pipelines | |
| Manufacture of food products | |
| Food and beverage service activities | |
| Wholesale trade, except for motor vehicles and motorcycles | |
| Construction of buildings | |
| Manufacture of fabricated metal products, except machinery and equipment | |
| Specialized construction activities | |
| Manufacture of motor vehicles, trailers and semi-trailers | |
| Wholesale and retail trade and repair of motor vehicles and motorcycles | |
| Electricity, gas, steam and air conditioning supply | |
| Manufacture of electrical equipment | |
| Manufacture of wearing apparel | |
| Manufacture of rubber and plastic products | |
| Computer programming, consultancy and related activities | |
| Financial service activities, except insurance and pension funding | |
| Legal and accounting activities | |
| Other personal service activities | |
| Services to buildings and landscape activities | |
| Civil engineering | |
| Architectural and engineering activities; technical testing and analysis | |
| Manufacture of furniture | |
| Warehousing and support activities for transportation | |
| Waste collection, treatment and disposal activities; materials recovery | |
| Telecommunications | |
| Postal and courier activities | |

| | Workers | Share in employment | Total vulnerability | Women | Gendered total vulnerability | Youth (15-29) | Youth-aged total vulnerability |
|---|---|---|---|---|---|---|---|
| | 419,672 | 15.4% | 5 | 163,720 | 5 | 37,082 | 4 |
| | 251,840 | 9.3% | 5 | 163,775 | 5 | 45,727 | 5 |
| | 157,934 | 5.8% | 3 | 115,993 | 3 | 12,980 | 3 |
| | 142,570 | 5.2% | 1 | 62,033 | 1 | 12,278 | 1 |
| | 124,890 | 4.6% | 2 | 94,388 | 2 | 13,247 | 2 |
| | 116,696 | 4.3% | 4 | 58,110 | 5 | 3,225 | 4 |
| | 95,752 | 3.5% | 5 | 12,034 | 5 | 7,907 | 5 |
| | 84,824 | 3.1% | 5 | 37,849 | 5 | 12,842 | 5 |
| | 80,224 | 3.0% | 5 | 36,497 | 5 | 25,137 | 5 |
| | 66,811 | 2.5% | 4 | 22,803 | 4 | 11,493 | 5 |
| | 58,970 | 2.2% | 5 | 5,038 | 5 | 8,733 | 5 |
| | 55,191 | 2.0% | 5 | 10,521 | 5 | 10,210 | 5 |
| | 48,532 | 1.8% | 5 | 1,911 | 5 | 6,655 | 5 |
| | 47,662 | 1.8% | 2 | 20,663 | 2 | 14,938 | 3 |
| | 40,848 | 1.5% | 5 | 4,745 | 5 | 8,131 | 5 |
| | 35,318 | 1.3% | 1 | 7,715 | 1 | 2,902 | 1 |
| | 34,797 | 1.3% | 2 | 16,800 | 3 | 9,887 | 4 |
| | 34,293 | 1.3% | 4 | 27,753 | 5 | 5,124 | 4 |
| | 33,969 | 1.2% | 4 | 9,522 | 4 | 7,044 | 5 |
| | 29,346 | 1.1% | 4 | 8,424 | 4 | 9,362 | 5 |
| | 28,410 | 1.0% | 2 | 18,372 | 3 | 3,387 | 2 |
| | 28,275 | 1.0% | 5 | 17,520 | 5 | 5,283 | 5 |
| | 27,116 | 1.0% | 5 | 18,038 | 5 | 4,521 | 5 |
| | 25,052 | 0.9% | 5 | 12,576 | 5 | 2,894 | 5 |
| | 23,515 | 0.9% | 4 | 1,824 | 4 | 4,527 | 5 |
| | 23,155 | 0.9% | 5 | 7,567 | 5 | 3,910 | 5 |
| | 22,653 | 0.8% | 4 | 4,806 | 4 | 4,141 | 5 |
| | 22,503 | 0.8% | 3 | 6,106 | 3 | 4,795 | 5 |
| | 22,212 | 0.8% | 5 | 5,156 | 5 | 2,701 | 5 |
| | 22,091 | 0.8% | 2 | 8,717 | 3 | 4,584 | 4 |
| | 20,239 | 0.7% | 2 | 7,338 | 2 | 2,627 | 2 |

| Sector | |
|---|---|
| Water collection, treatment and supply | |
| Accommodation | |
| Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | |
| Repair and installation of machinery and equipment | |
| Manufacture of leather and related products | |
| Mining of coal and lignite | |
| Manufacture of machinery and equipment n.e.c. | |
| Manufacture of other non-metallic mineral products | |
| Forestry and logging | |
| Residential care activities | |
| Sports activities and amusement and recreation activities | |
| Manufacture of basic metals | |
| Manufacture of textiles | |
| Manufacture of chemicals and chemical products | |

| | Workers | Share in employment | Total vulnerability | Women | Gendered total vulnerability | Youth (15-29) | Youth-aged total vulnerability |
|---|---|---|---|---|---|---|---|
| | 19,900 | 0.7% | 1 | 4,792 | 1 | 538 | 1 |
| | 19,788 | 0.7% | 4 | 11,161 | 5 | 4,779 | 5 |
| | 17,615 | 0.6% | 5 | 3,429 | 5 | 2,873 | 5 |
| | 17,577 | 0.6% | 4 | 2,348 | 4 | 2,463 | 4 |
| | 16,761 | 0.6% | 2 | 11,189 | 3 | 1,847 | 2 |
| | 16,723 | 0.6% | 1 | 2,708 | 1 | 2,166 | 1 |
| | 16,648 | 0.6% | 3 | 3,239 | 3 | 2,212 | 3 |
| | 16,346 | 0.6% | 4 | 2,324 | 4 | 2,197 | 4 |
| | 16,117 | 0.6% | 4 | 985 | 4 | 2,274 | 4 |
| | 15,911 | 0.6% | 3 | 12,432 | 4 | 2,395 | 5 |
| | 15,780 | 0.6% | 5 | 4,851 | 5 | 3,715 | 5 |
| | 14,990 | 0.6% | 2 | 3,644 | 2 | 3,700 | 3 |
| | 14,508 | 0.5% | 3 | 9,403 | 4 | 1,849 | 3 |
| | 14,051 | 0.5% | 2 | 4,930 | 2 | 965 | 2 |

## Annex 2 - Impact of the crisis on enterprises

| | |
|---|---|
| Crop and animal production, hunting and related service activities | |
| Retail trade, except for motor vehicles and motorcycles | |
| Education | |
| Public administration and defence; compulsory social security | |
| Human health activities | |
| Undifferentiated goods- and services-producing activities of private households for own use | |
| Land transport and transport via pipelines | |
| Manufacture of food products | |
| Food and beverage service activities | |
| Wholesale trade, except for motor vehicles and motorcycles | |
| Construction of buildings | |
| Manufacture of fabricated metal products, except machinery and equipment | |
| Specialized construction activities | |
| Manufacture of motor vehicles, trailers and semi-trailers | |
| Wholesale and retail trade and repair of motor vehicles and motorcycles | |
| Electricity, gas, steam and air conditioning supply | |
| Manufacture of electrical equipment | |
| Manufacture of wearing apparel | |
| Manufacture of rubber and plastic products | |
| Computer programming, consultancy and related activities | |
| Financial service activities, except insurance and pension funding | |
| Legal and accounting activities | |
| Other personal service activities | |
| Services to buildings and landscape activities | |
| Civil engineering | |
| Architectural and engineering activities; technical testing and analysis | |
| Manufacture of furniture | |
| Warehousing and support activities for transportation | |

| | Number of workers | Vulnerability | Risk | Employers | Own-account workers | Share of own-account workers in total employment | Share of employed in firms with up to10 employees in total employment | Share of employed in firms with 10+ employees in total employment |
|---|---|---|---|---|---|---|---|---|
| | 419,672 | 5 | 4 | 3,912 | 252,037 | 60.1% | 93.8% | 6.2% |
| | 251,840 | 5 | 4 | 18,607 | 23,422 | 9.3% | 70.2% | 29.8% |
| | 157,934 | 3 | 3 | 1,304 | 3,641 | 2.3% | 13.4% | 86.6% |
| | 142,570 | 1 | 1 | – | – | 0.0% | 10.5% | 89.5% |
| | 124,890 | 2 | 1 | 2,776 | 2,363 | 1.9% | 14.5% | 85.5% |
| | 116,696 | 4 | n.a. | – | 116,696 | 100.0% | 100.0% | 0.0% |
| | 95,752 | 5 | 5 | 5,701 | 13,624 | 14.2% | 41.4% | 58.6% |
| | 84,824 | 5 | 3 | 3,774 | 1,648 | 1.9% | 31.8% | 68.2% |
| | 80,224 | 5 | 5 | 7,606 | 4,396 | 5.5% | 65.9% | 34.1% |
| | 66,811 | 4 | 4 | 5,291 | 1,733 | 2.6% | 38.3% | 61.7% |
| | 58,970 | 5 | 2 | 2,854 | 11,325 | 19.2% | 41.5% | 58.5% |
| | 55,191 | 5 | 3 | 1,790 | 4,204 | 7.6% | 22.1% | 77.9% |
| | 48,532 | 5 | 2 | 3,737 | 19,736 | 40.7% | 70.1% | 29.9% |
| | 47,662 | 2 | 3 | 49 | 109 | 0.2% | 2.2% | 97.8% |
| | 40,848 | 5 | 4 | 5,290 | 12,099 | 29.6% | 77.5% | 22.5% |
| | 35,318 | 1 | 3 | 382 | – | 0.0% | 10.1% | 89.9% |
| | 34,797 | 2 | 3 | 458 | 97 | 0.3% | 6.0% | 94.0% |
| | 34,293 | 4 | 3 | 1,047 | 2,636 | 7.7% | 16.8% | 83.2% |
| | 33,969 | 4 | 3 | 379 | 1,324 | 3.9% | 19.4% | 80.6% |
| | 29,346 | 4 | 2 | 914 | 7,093 | 24.2% | 34.4% | 65.6% |
| | 28,410 | 2 | 1 | 656 | 382 | 1.3% | 32.0% | 68.0% |
| | 28,275 | 5 | n.a. | 4,334 | 8,063 | 28.5% | 82.6% | 17.4% |
| | 27,116 | 5 | n.a. | 3,219 | 13,155 | 48.5% | 91.4% | 8.6% |
| | 25,052 | 5 | n.a. | 285 | 4,128 | 16.5% | 30.9% | 69.1% |
| | 23,515 | 4 | 2 | 750 | 421 | 1.8% | 16.6% | 83.4% |
| | 23,155 | 5 | n.a. | 2,817 | 3,552 | 15.3% | 57.1% | 42.9% |
| | 22,653 | 4 | 3 | 1,878 | 1,446 | 6.4% | 28.6% | 71.4% |
| | 22,503 | 3 | 5 | 737 | 488 | 2.2% | 32.5% | 67.5% |

| | |
|---|---|
| Waste collection, treatment and disposal activities; materials recovery | |
| Telecommunications | |
| Postal and courier activities | |
| Water collection, treatment and supply | |
| Accommodation | |
| Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials | |
| Repair and installation of machinery and equipment | |
| Manufacture of leather and related products | |
| Mining of coal and lignite | |
| Manufacture of machinery and equipment n.e.c. | |
| Manufacture of other non-metallic mineral products | |
| Forestry and logging | |
| Residential care activities | |
| Sports activities and amusement and recreation activities | |
| Manufacture of basic metals | |
| Manufacture of textiles | |
| Manufacture of chemicals and chemical products | |

| | Number of workers | Vulnerability | Risk | Employers | Own-account workers | Share of own-account workers in total employment | Share of employed in firms with up to10 employees in total employment | Share of employed in firms with 10+ employees in total employment |
|---|---|---|---|---|---|---|---|---|
| | 22,212 | 5 | 2 | 405 | 2,409 | 10.8% | 24.8% | 75.2% |
| | 22,091 | 2 | 2 | 283 | 154 | 0.7% | 18.9% | 81.1% |
| | 20,239 | 2 | 5 | – | 94 | 0.5% | 26.3% | 73.7% |
| | 19,900 | 1 | 2 | – | – | 0.0% | 11.0% | 89.0% |
| | 19,788 | 4 | 5 | 151 | 477 | 2.4% | 29.2% | 70.8% |
| | 17,615 | 5 | 3 | 1,128 | 2,232 | 12.7% | 39.7% | 60.3% |
| | 17,577 | 4 | 3 | 1,594 | 4,173 | 23.7% | 56.2% | 43.8% |
| | 16,761 | 2 | 3 | 241 | 249 | 1.5% | 13.7% | 86.3% |
| | 16,723 | 1 | 1 | – | – | 0.0% | 4.9% | 95.1% |
| | 16,648 | 3 | 3 | 1,076 | 513 | 3.1% | 19.7% | 80.3% |
| | 16,346 | 4 | 3 | 955 | 1,304 | 8.0% | 34.1% | 65.9% |
| | 16,117 | 4 | 4 | 349 | 6,360 | 39.5% | 56.1% | 43.9% |
| | 15,911 | 3 | 1 | 564 | – | 0.0% | 26.1% | 73.9% |
| | 15,780 | 5 | n.a. | 629 | 3,477 | 22.0% | 61.7% | 38.3% |
| | 14,990 | 2 | 3 | 233 | 243 | 1.6% | 17.1% | 82.9% |
| | 14,508 | 3 | 3 | 77 | 396 | 2.7% | 13.3% | 86.7% |
| | 14,051 | 2 | 3 | 443 | 254 | 1.8% | 19.6% | 80.4% |

# Annex 3 Covid-19: containment, closure and health measures adopted[71]

## COVID-19 Containment measures adopted[72]

### Measures to contain movement

- State of emergency declared on 15 March 2020.
  - lifted on 6 May 2020.
  - election-related activities postponed until after state of emergency.

### School and workplace closures:

- Schools closed since 15 March.
  - online classes for rest of school year[73].
- Kindergartens closed since 15 March.
  - re-opened (partially) on 11 May.
- All but essential shops closed until 21 April.
  - 21 April: shops that offer services (for example, car mechanics, tailors) are allowed to re-open again.

### Restrictions on events and gatherings

- All public gatherings banned between 15 March and 6 May.[74]
  - May and June: outdoor gatherings are allowed and indoor gatherings are limited to 500 persons.[75]
  - since early July: all public gatherings limited to 10 persons.[76]

### Restrictions on movement within the country

- Curfew for all citizens from 5 pm (3 pm during weekends) until 5 am.[77]
  - citizens older than 65 could only leave the house between 4 am to 7 am to buy groceries.[78]
- Complete lockdown during several weekends throughout April and May.
- No public transport during the State of Emergency.[79]
  - there were special bus corridors for health-care and essential production workers.

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71 Unless otherwise noted, all information provided in the table comes from the "Situation reports", prepared by the United Nations in Bosnia and Herzegovina on various dates between 18 March and 26 May 2020.
72 Unless otherwise noted, all information provided in the table comes from the "Coronavirus Disease- COVID 19, UN Serbia Situation Report" series, various dates. The last one is from 19 May 2020.
73 https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/odluka/2020/30/2/reg
74 https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/ministarstva/naredba/2020/39/2/reg, accessed on 21 July 2020. Initially, the Ministry of Health declared a ban on indoor public gatherings of more than 100 people on 11 March 2020, Official Gazzette 25/2020, which was amended on 15 March when gatherings were limited to 50 people (OG 30/2020), and then on 21 March gatherings were limited to five people (OG 39/2020). On 2 April gatherings were limited to only two people.
75 https://www.paragraf.rs/propisi/naredba-o-zabrani-okupljanja-na-javnim-mestima-u-zatvorenom-i-otvorenom-prostoru.html, accessed on 21 July 2020.
76 http://rs.n1info.com/Vesti/a618026/Zabrana-okupljanja-vise-od-10-ljudi-u-Beogradu-zatvoreni-objekti-rade-do-21h.html
77 https://www.propisi.net/naredba-o-ogranicenju-i-zabrani-kretanja-lica-na-teritoriji-republike-srbije/, accessed on 21 July 2020
78 https://www.propisi.net/naredba-o-ogranicenju-i-zabrani-kretanja-lica-na-teritoriji-republike-srbije/, accessed on 21 July 2020 http://zdravko.org.rs/wp-content/uploads/2020/04/UREDBA-O-MERAMA-ZA-VREME-VANREDNOG-STANJA.pdf
79 https://www.propisi.net/naredba-o-ogranicenju-i-zabrani-kretanja-lica-na-teritoriji-republike-srbije/, accessed on 21 July 2020

### Restrictions on international travel

- Borders closed starting on 20 March and for the duration of the state of emergency.[80]
  - borders re-opened once the state of emergency was lifted.
- Mandatory 14-day quarantine for anyone entering the country during the state of emergency.
  - anyone entering Serbia after 14 March had to self-isolate for 28 days.

### Measures to support health sector

Public information

- Phone lines for citizens to ask about COVID-19.
  - Health Minister answered queries over phone daily from 19.00 to 21.00.
- COVID-19 Infection Disease Crisis Response Team and Crisis Response Team for economic issues established by the Government.
- Daily press conference to inform about the development of the pandemic in the country.

### Testing policy

- By 3 August 2020, Serbia had conducted 686,488 tests, with 26,193 positive cases in total.[81]
- From 23 March, everyone testing positive would be hospitalized.
- Additional laboratories were put in place to increase testing capacities.

### Emergency investment in health care

- Purchase of 5 million masks.
- Purchase of ventilators.
- Renovation of Infectology clinic in Belgrade.[82]
- Building of two new hospitals.[83]

80 https://www.pravno-informacioni-sistem.rs/SlGlasnikPortal/eli/rep/sgrs/vlada/odluka/2020/25/1/reg, accessed on 21 July 2020
81 https://covid19.rs/
82 http://www.kcs.ac.rs/index.php/sr/vesti/4755-otpoceli-radovi-na-rekonstrukciji-klinike-za-infektivne-i-tropske-bolesti-klinickog-centra-srbije
83 https://www.srbija.gov.rs/vest/en/158716/construction-of-the-covid-hospital-near-batajnica.php

# Annex 4 Policy packages already adopted

As of 3 August 2020, the following sets of policy measures had been adopted in Serbia.[84]

## Support for specific sectors, enterprises and employment retention

### Support for specific sectors

- All medical staff received a 10 per cent wage increase from April 2020.[85]
- Ban on export of medicines for 30 days from 15 March.[86]
- One-off assistance for hotels (EUR 500 per single room and EUR 850 per double room) provided that they do not lay off more than 10 per cent of the workforce until December 2020 (cost: RSD 1.25 billion or approximately EUR 10.7 million).

### Support for enterprises and business continuity

- Favourable loans for liquidity were approved for 10,000 MSMEs, farms and cooperatives.[87]
- Three-month moratorium on the payment of housing and other loans introduced for a three-month period, ending on 1 July 2020.
- As of August, deferral of payment of social security contributions and payroll tax for one month.

### Employment retention measures

- Doctors and nurses who volunteered during the pandemic were provided with full employment.[88]
- More than 1 million employees in 232,000 enterprises received the minimum wage (~ 275 USD per month) in May, June and July and 60 per cent of the minimum wage in August.
- Employees in public sector were guaranteed not to be laid-off and to retain their full salary.[89]
- All employees in medium and large private enterprises who were laid off during the state of emergency will be paid 50 per cent of their monthly wages.

## Worker protection measures

### Unemployment benefits and social protection

- One-off payment to all pensioners to buy basic hygiene and food products.[90]

### Access to paid leave

## Other measures

### Social dialogue

### Other measures and funding

- EUR 100 paid to all adult citizens of Serbia over the age of 18.[91]

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84 Unless otherwise noted, the information provided in the following four boxes is from: https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#RS, accessed on 29 July 2020. Additional information from: http://ras.gov.rs/vlada-usvojila-uredbe-za-sprovodenje-ekonomskih-mera-podrske-privredi
85 UN Situation Report #1, Published on 16 March 2020.
86 UN Situation Report #1, Published on 16 March 2020.
87 https://www.blic.rs/biznis/mali-odobreno-skoro-10000-kredita-privrednim-subjektima/czqmx4x
88 UN Situation Report #4, Published on 23 March 2020.
89 UN Situation Report #2, Published on 18 March 2020.
90 UN Situation Report #1, Published on 16 March 2020.
91 https://home.kpmg/xx/en/home/insights/2020/04/serbia-government-and-institution-measures-in-response-to-covid.html, accessed on 31 July 2020

## About this report

The report "Covid-19 and the World of Work: Rapid Assessment of the Employment Impacts and Policy Responses" is part of a series of reports that the ILO and the EBRD are preparing to contribute to evidence-based policy dialogues in the Western Balkan economies in the aftermath of the Covid-19 pandemic.

This first edition for Serbia covers the unfolding of the crisis and its impacts on the labour market during the lockdown phase, as well as reflections on the measures proposed by the Government to attenuate the impact of the crisis. Policy recommendations can inform decisions by the Government and the social partners during the reactivation and recovery phases.

For more comprehensive thematic reviews of the impacts of Covid-19 on the world of work, please consult the relevant pages, available at:

www.ilo.org and www.ebrd.com

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