



Legislators are creating a more liberal labour market to cut the jobless rate and make Serbia more attractive to business



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LABOUR LAW CHANGES

Better late than never

The Serbian Labour Law has been substantially changed by amendments adopted in July. One of the main motives behind the adoption of these amendments was solving the problem of unemployment. Serbia is well-known for high unemployment and has been for some time. At more than 20 per cent, the country has one of the highest unemployment rates in Europe. The recently adopted reforms represent an attempt to tackle this issue by way of creating a more flexible legal framework. This is only a part of the intended overall reform aimed at creating an attractive environment for doing business and, eventually, attracting more foreign investment.

In general, the area of labour legislation is burdened by the country's socialist heritage, with a high level of rights granted to employees and trade unions. Several previous reforms have somewhat improved the situation, but the improvements have been inadequate, to say the least.

Employers hit drawbacks in almost every aspect of dealing with their workforce. The available modes for engagement of personnel have been inflexible, almost every dismissal of an employee has represented a problem, and labour-related administration has been time-consuming and sometimes even pointless.

The latest amendments therefore seem to be an attempt to resolve some inherited problems. In that respect they are positive.

New thinking

Below is a short overview of some of the most important innovations.

The maximum duration of employment agreement has been extended to 24 months compared with the previously applicable term of only 12 months. In addition, in certain situations the duration of definite term employment may be even longer – 36 months with a newly established employer, working until the end of a certain project and so on.

Termination of employment by the employer is now regulated in a more detailed manner, primarily with respect to précising certain termination grounds. In that regard the law now prescribes frequent breaches of work duty and discipline and failure to achieve certain results – ie lack of required skills and knowledge is also regulated more thoroughly. It may be expected that the detailed provisions will lead to increased legal certainty on the occasion of an employee's termination. The previous provisions were rather ambiguous and created numerous problems in practice.

It is also worth mentioning that 'discipline responsibility' has been reintroduced in Serbian

labour legislation via the aforementioned amendments. Instead of termination the employer may now impose measures against employees such as temporary suspension without salary, pecuniary penalty, warning notice and so on. This kind of responsibility on behalf of the employee was not recognised by the previous version of the Labour Law.

The conditions for default extended application of collective agreements to employers not associated with the employers' organisation that is a party to such agreement are now stricter. Hence, it may be expected that the extended application of collective agreements will become an exception rather than a rule, as it was previously.

Certain steps have also been taken with respect to waiving unnecessary administration. Employers are now able to deliver certain employment-related documents in electronic form (decisions on the use of annual vacation, calculations of salary and so on). Working booklets for employees will be abolished in 2016. Although these improvements may seem modest, hopefully they will only be the first step towards relaxing the paperwork burden.

There are other important innovations with regard to distance work, working hours, salary, retirement severance pay and annexes to employment agreements, to mention but a few. On the other hand, some important matters remain unregulated (such as staff leasing), or unchanged or barely changed (such as salary and its elements).

To sum up, the latest amendments to the Labour Law for the first time significantly modify the Serbian labour legislation framework. This change is a breath of fresh air for the economy, although it is too early to draw conclusions on its effects. These effects will, of course, primarily depend on the application of the law in practice. In the past, some decent legal solutions have been rendered moot and become paper tigers in practice because of improper application and/or misinterpretation by the authorities.

Hopes for a better business climate

In the end, one might ask if these changes are too modest or have been adopted too late – surely it would have been better if Serbian labour legislation had been reformed earlier and in a more comprehensive manner.

On the other hand, if this reform is only the first step in modernising the legislation, as announced by the authorities, there is hope that Serbia will become a more attractive environment with a business-orientated labour legislative framework.



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