

LABOUR MARKET STUDY

Labour Market Study

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PREFACE

The assignment was carried out by the Institute for Territorial Economic Development (InTER), contracted by the Regional Center for Socio-Economic Development – Banat. The expert team is consisted of four members: Dragiša Mijačić (Team Leader), Vesela Vlašković, PhD (Research Expert), Marina Savković, PhD (Labour Market Expert) and Marija Milenković (Backstopping). The expert team wishes to thank representatives of Regional Center for Socio-Economic Development – Banat and partners for providing support in organization of workshops, conference and promotion events in Zrenjanin and Timisoara.

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TABLE OF CONTENTS

LIST OF ABBREVIATIONS	1
EXECUTIVE SUMMARY	2
INTRODUCTION	3
OBJECTIVE AND SCOPE OF THE ASSIGNMENT	3
METHODOLOGY	4
LIMITATIONS	6
LABOUR MARKET IN SERBIA AND ROMANIA – LEGAL AND INSTITUTIONAL FRAMEWORK	7
LEGAL FRAMEWORK IN SERBIA	7
EMPLOYMENT OF NON-RESIDENTS AND WORK PERMITS IN SERBIA	8
INSTITUTIONAL FRAMEWORK IN SERBIA	9
LEGAL FRAMEWORK IN ROMANIA	10
EMPLOYMENT OF NON-RESIDENTS AND WORK PERMITS IN ROMANIA	10
INSTITUTIONAL FRAMEWORK IN ROMANIA	12
BILATERAL AGREEMENTS BETWEEN ROMANIA AND SERBIA	13
LABOUR MARKETS IN ROMANIA AND SERBIA – OVERVIEW	14
LABOUR MARKET IN SERBIAN BANAT AND TIMIS REGIONS	18
SURVEY	25
SWOT ANALYSIS	36
KEY FINDINGS (DIAGNOSIS OF THE CURRENT SITUATION)	39
GENERAL AND SPECIFIC OBJECTIVES, PRIORITIES AND MEASURES	40
ANNEXES	43
ANNEX 1: Terms of Reference	43
ANNEX 2: Questionnaire for the National Employment Service	45
ANNEX 3: Questionnaire for the Chambers of Commerce	47
ANNEX 3: List of reviewed and analysed documents	48

LIST OF ABBREVIATIONS

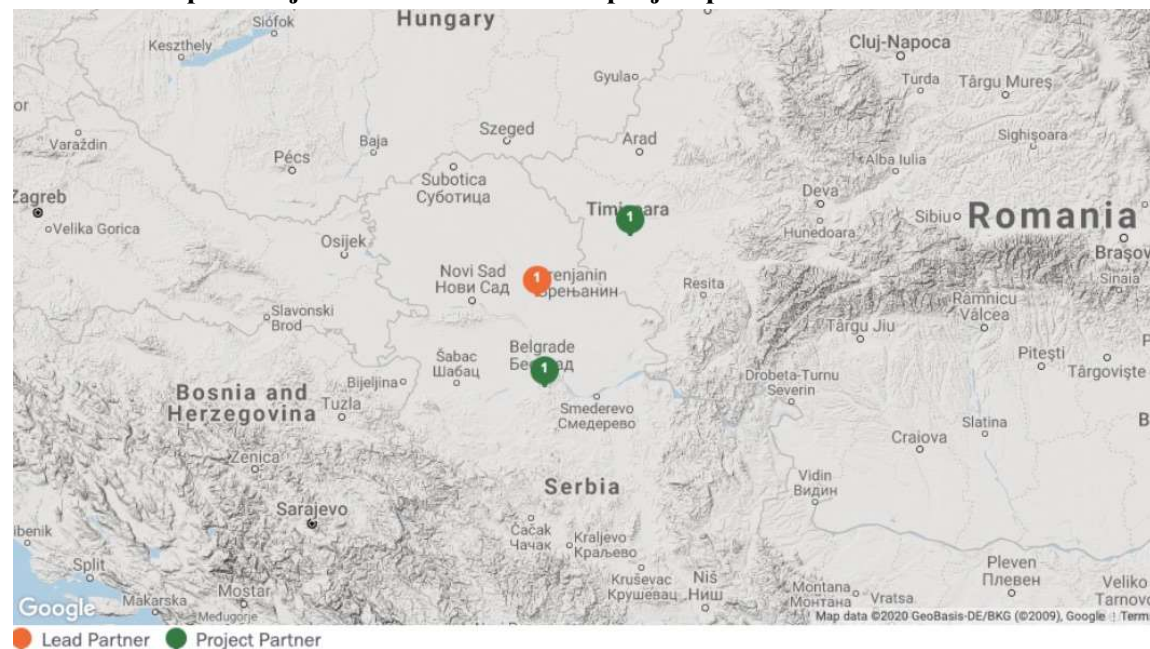
CBC	Cross-border Co-operation Program
EEA	European Economic Area
EU	European Union
FDI	Foreign Direct Investments
InTER	Institute for Territorial Economic Development
IPA	Instrument for Pre-Accession Assistance
MoLEVSA	Ministry of Labour, Employment, Veterans and Social Affairs
NES	National Employment Service
NEET	Not in Education, Employment, or Training
RDA Banat	Regional Center for Socio-Economic Development – Banat
ToR	Terms of Reference

EXECUTIVE SUMMARY

INTRODUCTION

The purpose of the assignment was to provide technical assistance for developing a Labour Market Analysis. The assignment is performed within the project Empowering Banat through Realistic Demand – EBRD, implemented by the Regional Agency for Socio-Economic Development – Banat in partnership with the Chambers of Commerce of Serbia and Timisoara. The project is funded through the Romania-Serbia Interreg IPA Cross-border Co-operation Program 2014-2020, with the aim of harmonising employment rates in the Romanian-Serbian cross-border area, taking into account the existing high unemployment rate in Serbia, on the one side, and the lack of workforce in Romania, on the other. The Specific objective of the project is “to enhance the potential of the programme area for an inclusive growth, improving across border access to the labour market and employment opportunities in the programme eligible area”.

Picture 1. Map of Project area and location of project partners



The project implementation period is 12 months, from 12 July 2019 to 11 July 2020. The amount awarded for the intervention is 233,975.07 EUR.

OBJECTIVE AND SCOPE OF THE ASSIGNMENT

The objective and the scope of the assignment are given in the Terms of Reference (ToR). The assignment focuses on analysing labour market in Banat, on both sides of the border (Serbian and Romanian). In that sense, the expert team developed a Labour Market Study, giving a comprehensive picture of the current situation of the labour market in the targeted area. The Study focuses on the:

- Comprehensive analysis of the labour market in Banat;
- Analysis of employment and position of vulnerable groups in the labour market;

- Legal aspects of employment in the Serbian and Romanian parts of Banat;
- Analysis of the unemployment rate and availability of labour in the region;
- Analysis of inactive population, as well as unregistered employment, by gender, age and qualifications;
- Identification of institutions responsible for trainings of unemployed persons and vulnerable categories in Banat labour market;
- Necessary competencies and qualifications of employees, as identified by the most important business stakeholders in the region;
- SWOT analysis of the current situation in Banat labour market;
- Identification of fields requiring intervention (Diagnosis Analysis).

As stipulated in ToR, the expert team organized four two-day workshops (two in Zrenjanin and two in Timisoara), as a way for direct communication with key stakeholders and target groups during different stages of preparation of the study. During those events the expert team presented the preliminary key findings and hypotheses, and asked for feedback to tailor the study in such a way to include useful and implementable recommendations. The feedback from those events was included in the final version of the study.

Besides the Study, the assignment also included extracting the key findings and recommendations in a form of a brochure that will be used for effective communication with policy makers and beneficiaries.

Key findings and recommendations derived from the Study will be presented at the conference and public promotion events organized in Zrenjanin and Timisoara.

The assignment lasted 9 months, from August 2019 to April 2020.

METHODOLOGY

The research methodology was designed following the logic of ToR as the primary guide and included different instruments for analysing primary and secondary data, collected through various stages of the assignment. Basically, the assignment was carried out in six phases: (1) Preparation and desk analysis; (2) Development of questionnaires for relevant institutions; (3) Development of questionnaire for employers; (4) Organization of workshops; (5) Analysis of collected data; (6) Writing and submitting the Study; (7) Preparation of brochure; (8) Presentation and promotion of the Labour Market Study.

Each phase of the evaluation is described below in details.

(1) Preparation and desk analysis: During this phase, the expert team held an initial meeting with the project team, trying to comprehend the action and to identify and collect all the documentation and sources of information that will be crucial for the following phases. The research methodology was designed and discussed in detail, as well as the work plan and timeframe, list of key stakeholders and target groups, reporting procedures, etc.

This phase also included desk analysis of secondary sources on labour market in Banat (both, Serbian and Romanian). The expert team analysed secondary and primary data collected through web-based search of available information, including the previous researches conducted by RDA Banat, available data from Statistical Offices in Serbia and Romania, as well as databases of National Employment Services from both countries and other relevant documents. As a result, the research hypothesis was developed, and later verified with key stakeholders during the workshops organized in Zrenjanin and Timisoara.

(2) Development of questionnaires for relevant institutions: During the second phase, the expert team prepared questionnaires for key institutions in the field of employment/labour market: Chambers of Commerce in Serbia and Romania (Annex 2) and National Employment Services in Serbia and Romania (Annex 3). The questions referred to unemployment rate (general and per categories such as age, gender, etc.), inactive persons, unregistered unemployment, rate of unfilled job positions, as well as other relevant information. The collected data were presented to the relevant stakeholders and target groups on the workshops in both Zrenjanin and Timisoara and analysed in detail in the following research phases.

(3) Development of questionnaire for employers: This phase included the design of the questionnaire that was used for collecting primary data from potential employers in the targeted area (Annex 4). Through the questionnaire, the expert team collected the relevant data: key skills and competences most sought by employers, employment trend and future needs, opportunities for employment of disadvantaged groups, etc. The questionnaire was distributed to public and private employers in the targeted area, with the support of the project team. Employers had the option to use the Survey Monkey platform, or to send their answers in a Microsoft Word document. The collected data were presented to the relevant stakeholders and target groups on the workshops in Zrenjanin and Timisoara and analysed in detail in the following research phases.

(4) Organization of two-days joint workshops: Within this phase, the expert team organized four two-day workshops in total, two in Zrenjanin and two in Timisoara, as mechanism for involvement of all relevant target groups. The workshops were designed in a way to collect feedback on the key research findings, as well as to check the preliminary hypothesis and assumptions determined during the previous phases.

(5) Analysis of collected data: The expert team applied a set of various quantitative and qualitative instruments in the analysis of the collected data. In that regard, primary and secondary data were collected and analysed through SurveyMonkey platform and SPSS statistical software and presented in the form of graphs and tables. In addition, the expert team developed SWOT and Diagnosis analysis on the labour market situation in the targeted area.

(6) Writing and submitting the Study: The study with a comprehensive picture of the labour market in the targeted area (employment and unemployment rate, unregistered employment, skills and competences demanded by employers, available financial and non-financial support to unemployed persons, etc.) was written and submitted to the Contracting Authority. The study also identified the key stakeholders and institutions in the field of employment/labour market, as well as legal and policy landscape in both countries. The Study gives a special

emphasis on skill assessment and employment opportunities for unemployed persons, including marginalized and vulnerable groups.

(7) Preparation of brochure: This phase included extracting the key findings and recommendations derived from the Study with a purpose of supporting Contracting Authority in designing of a brochure. The brochure will be used for effective communication with policy makers and beneficiaries.

(8) Presentation and promotion of the Labour Market Study: The expert team will present the key findings, as well as given recommendations, at the final conference and two public promotion events (in Zrenjanin and Timisoara) which will be organized by the Contracting Authority.

The study, all presentations and events follow the visibility rules that are in line with the Programme Visual Identity Manual.¹

LIMITATIONS

During the assignment, the expert team faced limitations related to timely collection of data. Namely, the data requested from the public institutions active in the area of employment and labour were not delivered in the deadlines set at the beginning of the assignment. This refers to the institutions from both Serbia and Romania. As a result, the expert team lacked time for the comprehensive analysis of the labour market situation in Banat. Another issue is that the data collection from the employers (filling in the questionnaires) was slower than planned. This was especially visible in the case of employers from Romania. However, in spite of new circumstances, the expert team managed to successfully collect and analyse data, and to submit the Study in accordance with the agreed timeframe.

¹ http://www.romania-serbia.net/?page_id=212&lang=en_GB

LABOUR MARKET IN SERBIA AND ROMANIA – LEGAL AND INSTITUTIONAL FRAMEWORK

LEGAL FRAMEWORK IN SERBIA

Labour Law² is the fundamental legal act regulating the field of employment in Serbia. Together with the Constitution, and a number of specific laws (e.g. the Law on Protection of Whistle-blowers, The Law on Prevention of Harassment at Work, the Law on Health and Safety on Work) represents the key sources that apply to work contracts in Serbia. The employment of civil servants is governed by separate regulations.

The documents that are the result of employers' and employees' consensus are a collective agreement and an employment contract, which must be in conformity with the relevant legal acts. According to the Labour Law, a collective agreement is an agreement that arranges rights, duties and responsibilities arising from the employment, and mutual relations of participants in the collective agreement – employers and employees. The employment contract, on the other hand, regulates only the rights, duties and responsibilities that arise from the employment relationship. A collective agreement and an employment contract may stipulate extended rights and more favourable conditions of work than the rights and conditions established by the Employment Law and other government regulations. However, they may not, under any circumstances, specify less favourable conditions than the ones established by the Labour Law. In case that a less favourable provision exists, the provisions of this Law will be applied.

In addition, it is important to emphasize that Serbia's Labour Law follows current European standards and international labour conventions.

Human resource development, education, employment, lifelong learning as well as industrial development are policy areas that are conceptualized in the key national strategies in Serbia. For each strategy there are a number of related actions plans, laws and by-laws.³

There are strategies dealing with various aspects of the development of the education, training and lifelong learning systems themselves:

- The Strategy of Development of Education 2012-2020;⁴
- The Strategy for Adult Education;⁵
- The Strategy of Career Guidance and Counselling in Serbia.⁶

The main document addressing employment is the National Employment Strategy for the period 2011-2020.⁷ The core goal of the Serbian employment policy is to establish efficient,

² Official Gazette of the Republic of Serbia no. 24/05, 61/05, 54/09

³ https://www.etf.europa.eu/sites/default/files/m/98D99C80A3828FA3C1257D95003CF5F9_FRAME%20Skills%202020%20Serbia.pdf

⁴ Official Gazette of the Republic of Serbia no. 107/2012

⁵ Official Gazette of the Republic of Serbia no. 1/07

⁶ Official Gazette of the Republic of Serbia no. 55/05, 71/05, 101/07, 65/08

⁷ Official Gazette of the Republic of Serbia no. 37/11

stable and sustainable employment growth by 2020. Specifically, the Strategy focuses on stimulating employment in less developed regions and developing regional and local employment policies, enhancing human capital and greater social inclusion, improving labour market institutions and developing the labour market and reducing labour market duality.

The Employment and Social Reform Programme (ESRP)⁸ was adopted in 2016 and it represents a strategic document and the key mechanism for dialogue on the Republic of Serbia's priorities in the area of employment and social policy in the pre-accession process.

EMPLOYMENT OF NON-RESIDENTS AND WORK PERMITS IN SERBIA

The approval for temporary residence, permanent settling or giving visas for a longer stay are the basic preconditions for employing a foreign citizen and giving a work permit in the Republic of Serbia. The procedure of foreign citizens' employment is related to temporary residence and work permits and all the conditions for their employment are defined by the Law on Employment of Foreigners.⁹ One of the conditions for employing a foreign citizen, which is specifically related to getting a visa for a longer stay, is in force from January 1st, 2020, as introduced by the Amendment to the above-mentioned Law. An employer – a company that wants to employ a foreign citizen has a possibility to begin a procedure for getting a work permit at the same time as a procedure of getting a visa for a longer stay. The procedure can be initiated even if a foreign citizen is still abroad and the procedure for getting a visa is underway.

Approving the visa for a longer stay based on employment is the procedure started by a foreign citizen (who wants to get employed in Serbia). This application starts and is led by the diplomatic-consular office, while the procedure for giving a work permit is led by the National employment agency.

There are two types of work permits:

- The personal work permit, which allows foreign citizens to freely employ and exercise self-employment rights. It also allows them to exercise their rights in case of unemployment.
- The work permit for employment, special cases of employment or self-employment.

The personal work permit and the work permit for employment cannot be given at the same time.

The work permit for employing a foreign citizen is given on demand by the employer. To employ a foreign citizen, an employer must meet the requirements in accordance with the law and existing regulations (such as that before applying for a work permit they did not fire employees due to technological, economical or organizational changes on workplaces for

⁸ <http://socijalnoukljudivanje.gov.rs/wp-content/uploads/2016/06/SIPRU-ESRP-2016-English.pdf>

⁹ Official Gazette of the Republic of Serbia no. 128/2014, 113/17, 50/18 31/19

which they ask the work permit, or that the employer did not find citizens of the Republic of Serbia who meet the criteria ten days before applying, etc.).

In 2019, the minimum wage in Serbia was approximately 307.7 € per month, which makes 3,692 € per year (taking into account 12 payments per year).

INSTITUTIONAL FRAMEWORK IN SERBIA

The key institution dealing with labour and employment is the Ministry of Labour, Employment, Veterans and Social Affairs (MoLEVSA) and in particular the Labour Department. The Labour Inspectorate, an administrative body of the same Ministry, also deals with labour relations.

The main responsibilities of the MoLEVSA are related to: the system in the field of labour relations and labour rights in all forms of work; occupational safety and health; inspection of labour relations and occupational safety and health; exercising and protecting the employment rights of temporary workers abroad; work records; cooperation with international organizations in the field of labour and employment as well as other activities specified by law.

National Employment Service (NES) is a body responsible for employment affairs, unemployment insurance affairs, exercise of unemployment insurance rights and keeping records in the field of employment. The active labour market policy measures provided by the NES are:

- Job placement services for job seekers,
- Vocational guidance and career counselling,
- Employment subsidies to employers,
- Support to self-employment,
- Additional education and training,
- Public works,
- Active labor market policy measures for persons with disabilities,
- Incentives for employment of unemployment benefit recipients.

Serbian Chamber of Commerce is a non-governmental body, consisting of a large number of entrepreneurs and enterprises. It is established with a goal to represent business interests to the government and other state institutions. In that sense, the main activities are:

- representing the interests of members in front of state bodies and institution,
- exercising public authority by issuing different types of documents,
- improvement of economic cooperation with foreign countries,
- promotion of economy in the country and abroad,
- business information of members,

- advisory services and business education,
- fostering good business practices and business morality
- court work and arbitration.

LEGAL FRAMEWORK IN ROMANIA

Employment in Romania is governed by the Labour Code¹⁰, which came into force in March 2003 (amended in May 2011). It regulates both individual and collective employment relationships and all major employment-related issues such as salaries, leave entitlement, working hours, rest, termination of employment and discrimination. The Code applies equally to both local and foreign employees working in the country.

Other key laws governing employment relationships include:

- Law No. 319/2006 on health and safety at work;
- Emergency Governmental Ordinance No. 56/2007, which covers the employment of foreign nationals;
- Law no. 202/2002 on the equality of chances between women and men
- Law No. 168/1999, which focuses on how to settle labour conflicts, and
- Social Dialogue Law No. 62/2011.

EMPLOYMENT OF NON-RESIDENTS AND WORK PERMITS IN ROMANIA

If the employers in Romania contract Romanian or foreign individuals, they must fulfil certain obligations. The non-residents that come from non-EU countries are usually employed with agreements signed for an indefinite period, because they need to prove stability and the fact that they will be able to support themselves during the time they live in Romania.

Under the Romanian law, in order to hire foreign citizens, employers in Romania must take some steps that, for non-EU citizens, are not very simple. Therefore, the difficulty of the employment process depends on the country from which the citizen who wants to be employed in Romania comes from. After the conclusion of the employment agreement, all employees (residents, non-residents from EU or third countries) have the same rights and obligations in the relation with the Romanian employer.

Foreigners, other than those from the EU, European Economic Area (EEA) and Swiss Confederation, must have work permits and a residence visa to enter, work and live in Romania. EU, EEA and Swiss Confederation citizens require only a certificate of registration, which is possible to acquire within a day. Others can only be employed if the vacancy in question cannot be filled by a Romanian national, an individual with permanent residency in the country or an EU or EEA citizen. But certain non-EU citizens may be employed without a work permit, including people with permanent residency status, asylum seekers and nationals

¹⁰ Law No. 53/2003

whose home countries have treaties or bilateral agreements with Romania, which allow free access to its labour market.

The minimum gross salary/month in 2019 was RON 2,080 (446 € per month). Individuals having higher education and minimum 1-year work experience in the field of studies have a minimum gross salary/month of RON 2,350 (492 €). As an exemption, for the employees from construction field, the minimum gross salary is RON 3,000 (628 €).¹¹

The employer is obliged to pay monthly contributions and income tax for its employees. The company also has a set of monthly social contributions due on the 25th of the following month for which the payroll is processed.

There are several types of work permits that can be granted to foreign citizens: for permanent workers, seasonal workers, trainees, athletes, cross-border workers, nominal work permit. Depending on the category of the work activity, the right to extend temporary stay for employment purposes can be up to 1 year, as a general rule. As far as highly skilled workers are concerned, their stay can be extended up to 2 years.

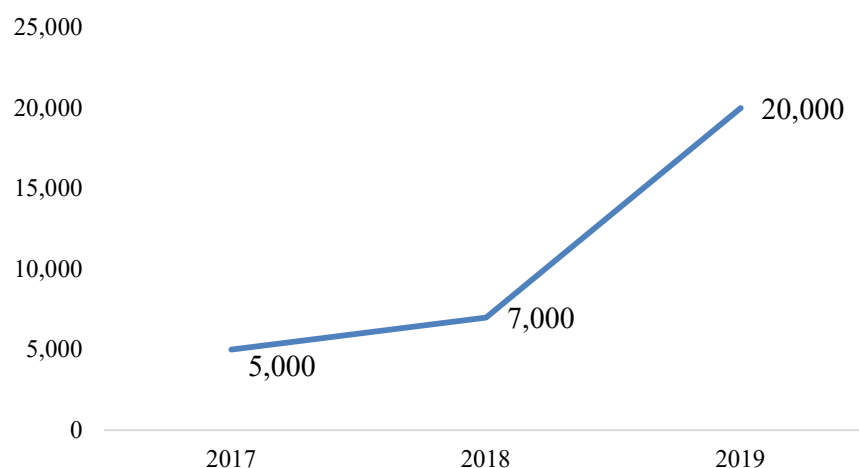
Work permits are granted for one year and are automatically extended for successive periods until the termination of a worker's employment contract. The number of work permits issued annually is decided by the government and depends on both the health of the country's labour market and its current labour migration policies.

The quota for work permits issued by the Government of Romania increases over the years. In 2017 that number was 5,000, in 2018 the quota for work permits increased to 7,000, while in 2019 it reached a record number of 20,000. The increase is justified by the local labour deficit. The Labour Ministry stated that increase can cover the needed labour force in sectors or jobs that cannot be covered by Romanian workers and prevent situations where foreigners work in Romania without the needed permits.¹²

¹¹ https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef19028en.pdf

¹² <https://business-review.eu/business/romanian-government-plans-to-raise-to-30000-the-number-of-work-permits-for-foreign-workers-in-2019-203003>

Chart 1: The quota issued by the Romanian Government for work permits for non-EU citizens



Source: Authors

These figures show a record request for foreign employees in Romania, where businesses struggle with workforce shortages in sectors such as construction, HORECA or logistics. China and Turkey are by far the two leading countries of origin of migrant workers in Romania, followed by Vietnam, Philippines, Sri Lanka and Serbia. However, there are evidence that the real number of foreign workers in Romania is much higher, due to unreported work.

In the first six months of 2019, the General Immigration Inspectorate received 13,138 employment permit or reassignment requests. In the same period, 10,840 work or reassignment permits were issued, out of which 9,554 for permanent workers, 760 for detached workers, 130 for highly qualified workers, 287 for people transferred within the same company, 62 for cross-border workers, 45 for seasonal workers, 1 for an au pair worker, and 1 for an intern. Data from the General Immigration Inspectorate show an increase of 165% in the number of work permits issued compared to the same period in 2018, when 4,091 work/reassignment permits were issued.¹³

In the first five months of 2019, out of the total available jobs offered to those looking for employment 64,091 were repeatedly declared unoccupied, according to the data from the National Labour Agency.

INSTITUTIONAL FRAMEWORK IN ROMANIA

The Ministry of Labour and Social Protection in Romania operates as a specialized body of the central public administration. It is subordinated to the Romanian Government and it implements the Government's strategy and policies regarding labour, family, social protection and the protection of elderly persons. The main responsibilities of the Ministry are drafting

¹³ <https://www.romania-insider.com/foreign-workers-increase-july-2019>

and implementing the legal framework necessary for ensuring a positive and dynamic interaction of the social and employment policies, in order to improve the quality of the life of all citizens and ensure social cohesion and equal opportunities between women and men.

Regarding labour protection, some of the institutions under the Ministry are the Labour Force Migration Office and labour inspection institutions, including the territorial labour inspectorates.

The main objectives of the territorial labour inspectorates in Romania are:

- controlling the manner in which the legal provisions are observed regarding labour relations, labour safety and health, protection of employees working in special conditions and legal provisions regarding health insurance;
- informing the competent authorities regarding deficiencies in applying the current legal provisions;
- providing information to interested individuals regarding the most effective ways to observe the labour legislation;
- providing technical assistance for employers and employees for the purpose of preventing professional risks and social conflicts.¹⁴

Labour inspectorates operate in all of the 41 counties in Romania and in Bucharest.

National Employment Agency¹⁵ is a public body operating under the Ministry of Labour and Social Protection and is responsible for helping individuals who are seeking employment, training or career guidance in changing their occupation or achieving advancement in their existing occupation, and for helping employers in the hiring or re-training of employees.

The General Inspectorate for Immigration¹⁶ is organized and acts as a specialized structure of the central public administration. It is a public institution with legal personality, coordinated by the Ministry of Internal Affairs. The Inspectorate is divided, at the central level, into directorates, services and other functional departments, and at the territorial level, into regional centres for accommodation and procedures for asylum seekers, accommodation centres for foreigners under public custody and county departments. The main responsibilities of this body are to implement Romanian policies in the fields of migration, asylum, and foreigners' integration as well as the relevant legislation in these fields.

BILATERAL AGREEMENTS BETWEEN ROMANIA AND SERBIA

International agreements on social insurance, or social security, can be perceived as an instrument of coordination, which enables a harmonized application of national legislations of the countries-parties. Signing of this type of document guarantees equal treatment of the countries, namely the citizens of both countries-parties to the agreement within the national legislations. In addition, it establishes applicable legislation (rules on the basis of which, in each specific case, it can be precisely determined whether to apply the legislation of one, or

¹⁴ <http://www.romanian-accountants.com/labour-authorities-in-romania>

¹⁵ <https://www.anofm.ro>

¹⁶ <http://igi.mai.gov.ro/en>

the other country-party to the agreement), ensures keeping of the vested right, and guarantees the payment of contributions in cases of changing the residence and moving to the other country-party to the agreement.

In 2016, representatives of relevant ministries of the Republic of Serbia and the Republic of Romania signed the Agreement on Social Security, as well as the Administrative Agreement for the Application of that Agreement. The Agreement on Social Security between Serbia and Romania pertains to social security, pensions, maternity benefits and child allowances.

LABOUR MARKETS IN ROMANIA AND SERBIA – OVERVIEW

Romania has been an EU member country since 2017, so one could expect that the labour market challenges should significantly differ from those in Serbia. Due to the fact that labour force could move more easily, workers from Romania have intensively emigrated to the economically more developed EU member countries since the EU accession, and that trend has not been stopped yet. The consequence of the previously mentioned trend is that Romania is no longer competitive in terms of the availability of adequate workforce¹⁷, although the country has been a regional champion in attracting FDI for more than a decade. Employers in Romania face unfilled job positions, primarily for low-skilled workers. FDI territorial distribution lead to the unbalanced regional development, so concentration of workers is noticeable higher in developed industrial centres, including the Timis County. Although some of the regions of Romania have almost no active job seekers, the country faces unfavourable structure of unemployed people. Over 70% of unemployed in Romania live in rural areas, while one third of all the unemployed have no qualifications¹⁸. Low level of internal labour migrations should also be stressed out as a challenge of the labour market in Romania.

Representatives of employers assert that relatively small number of vocational high schools and modest results of the dual education system are among the most important reasons for lack of workers with adequate qualifications. In most of the cases youth in Romania is not interested to enrol in vocational education, which can be confirmed by high level of young people neither in employment nor in education (NEETs) – 21.4% comparing to 17.2% in EU in 2017¹⁹. Finally, Roma, young people and people with disabilities are identified as less employable workers, since they have difficulties in accessing labour market, comparing to other job seekers segments²⁰. The government is trying to change this by covering the rent for

¹⁷ Petrariu, I.R. (2018), The Romanian Labour Market Assessment and Challenges to Join the Euro Area, The Annals of the University of Oradea, Economic Sciences, Tom XXVII 2018, Issue 1, page 515

¹⁸ Baicu G. (2018), Why Romania's low unemployment is irrelevant, Emerging Europe, <https://emerging-europe.com/voices/why-romanias-low-unemployment-rate-is-irrelevant/>

¹⁹ Baicu G. (2018), Why Romania's low unemployment is irrelevant, Emerging Europe, <https://emerging-europe.com/voices/why-romanias-low-unemployment-rate-is-irrelevant/>

²⁰ European Commission (2018), Recommendation for a COUNCIL RECOMMENDATION on the 2018 National Reform Programme of Romania and delivering a Council opinion on the 2018 Convergence Programme of Romania, COM(2018) 422 final, Brussels, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-specific-recommendation-commission-recommendation-romania-en.pdf>

unemployed people who find a job in a different city, but this program is still in the early stages.²¹

According to the National Employment Action Plan for 2020, published by the National Employment Service of Serbia, the main challenges of the labour market in Serbia are²²:

- Very negative demographic trends because of the population aging (average population age in Serbia is 43.2 years),
- High level of inactive population,
- Gender gap visible in all of the labour market segments and indicators,
- Relatively high informal employment (every 6th person is employed without any formal contract),
- Regional discrepancies in social and economic development which also influences the labour market issues,
- Unfavourable educational structure of the unemployed persons (one third of all of the job seekers in 2018 were without any qualifications or low qualified persons)
- Unfavourable age structure of the unemployed persons (about 32% of job seekers are older than 50 years)
- High level of long-term unemployment (68% of the all registered job seekers)
- Most of the registered unemployed persons are categorized as „less employable persons“
- Unfulfilled employers' needs (less than 50% of all job vacancies are successfully filled by the Employment Service²³) and
- Lack of comprehensive information on the labour market demand.

Although there are some similarities between the Romanian and the Serbian labour markets, further analysis will help us to discover and emphasize similarities and differences between these two national labour markets.

²¹ <https://business-review.eu/news/analysis-firms-struggle-to-find-workers-on-tight-labor-market-in-romania-149954>

²² National Employment Service (2019), National Employment Action Plan 2020, Republic of Serbia, pages 2-3

²³ The reasons are: job seekers' refusal of job offer, inadequate competences of job seekers and lack of employers' feedback

Table 1: Comparison of the main labour market indicators (EU28, Romania, Serbia)

	EU 28			Romania			Serbia		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Employment rate (TOTAL)	66.6	67.7	68.6	61.6	63.9	64.8	55.2	57.3	58.8
Female	61.4	62.5	63.4	53.3	55.8	56.2	48.5	50.8	52.0
Unemployment rate (TOTAL)	8.6	7.6	6.8	5.9	4.9	4.2	15.3	13.5	12.7
Female	8.8	7.9	7.1	5.0	4.0	3.5	16.7	14.8	14.2
Activity rate	72.9	73.3	73.7	65.6	67.3	67.8	65.6	66.7	67.8
Female	67.3	67.8	68.2	56.2	58.2	58.3	58.2	59.6	60.6
Temporary employment rate	14.2	14.3	14.2	1.4	1.2	1.1	23.6	22.7	22.9
Female	14.7	14.8	14.7	1.0	0.9	0.9	21.3	21.5	21.2
Youth unemployment rate (15-24). total	18.7	16.9	15.2	20.6	18.3	16.2	34.9	31.9	29.7
Female	17.9	16.1	14.6	21.8	18.6	16.2	39.5	36.3	32.0
NEETs (15-24)	6.2	6.1	6.1	12.0	10.1	10.1	8.4	8.5	8.4
Female	7.3	7.2	7.2	16.4	14.2	14.3	10.3	9.7	10.4

Source: Eurostat

Serbian labour market indicators are the most unfavourable in all aspects, according to the comparison with the EU and the Romanian data. Employment and activity rates are considerably lower, while youth unemployment rate is two times higher than EU28 average youth unemployment rate. Temporary employment rate is higher than in the EU, which can be

explained by a high level of seasonal and precarious work, as well as unstandardized labour contracts. On the other side, the Romanian labour market indicators are close to the EU28 average when general employment rate and youth unemployment rate are considered, but much lower in the case of general unemployment rate and temporary employment rate, which shows lack of available labour force. Romanian labour market faces a high inactivity rate, both in the case of general work inactivity and youth work and education inactivity (NEETs). NEETs rate in Romania is lower than in EU28 and in Serbia. Labour force activity rate levels at the Romanian labour market are similar to the same indicator levels in Serbia.

Unfavourable gender gap for women is visible in all of the indicator levels, except if we observe female's unemployment rate in Romania. It is lower than the Romanian total unemployment rate, due to the factories that employ only low paid female labour, according to the statements of the Romanian Chamber of Commerce representatives.

Table 2: Employment by educational attainment level - annual data (20-64), percentage of total employment

	EU28			Romania			Serbia		
	2016	2017	2018	2016	2017	2018	2016	2017	2018
Less than primary, primary and lower secondary education (levels 0-2)	16.9	16.6	16.3	18.1	17.4	16.8	15.5	15.3	14.3
Females	14.7	14.4	13.9	17.0	15.9	15.3	16.1	15.4	14.3
Upper secondary and post-secondary non-tertiary education (levels 3 and 4)	48.3	48.1	47.7	60.5	61.3	61.9	58.7	58.5	58.6
Females	46.6	46.2	45.7	57.7	58.4	58.8	51.9	52.3	52.3
Tertiary education (levels 5-8)	34.6	35.1	35.8	21.4	21.3	21.3	25.8	26.3	27.1
Females	38.5	39.2	40.2	25.3	25.7	25.9	32.0	32.3	33.4

Source: Eurostat

Compared to EU28 average, employers in Romania and Serbia have higher share of employees on the 3rd and 4th educational attainment level, especially in Romania. Share of workers with tertiary education is higher in EU28 than in Romania and Serbia. Romania also has lower share of workers with university diploma than Serbia. Share of female workers is lower at all educational attainment levels, except in the case of workers with tertiary

educational level. The share of female workers with tertiary educational attainment level in Romania is lower than in Serbia and specifically lower than in EU28. It can be concluded that educational structure of employees in Romania is the most unfavourable, which makes additional pressure on workers emigration to the countries with higher standard of living.

Table 3: Minimum wage in Romania and Serbia²⁴

Country	2016 S1	2016 S2	2017 S1	2017 S2	2018 S1	2018 S2	2019 S1	2019 S2	2020 S1
Romania	232.1	276.34	275.39	318.52	407.86	407.45	446.02	439.35	466.23
Serbia	233.53	230.14	247.93	253.1	285.41	282.51	308.03	308.41	343.49

Source: Eurostat

Minimum wage has been continuously increased since 2016. Real minimum wage increased twice from January 1 2016 to January 1 2020, which is not in compliance with productivity increase. In Serbia, the real minimum wage increased by 47.2% in the observed period. In general, minimum wage increase is a social measure enforced by a government with the aim to protect the least paid workers. It can also be influenced by a huge gap between the labour supply and labour demand, so an increase of minimum wage could stimulate low or non-qualified workers to accept and keep jobs at certain organizations. On the other side, minimum wage increase can limit new hiring and stimulate layoffs since employers make less money per worker and find doing business less profitable.

LABOUR MARKET IN SERBIAN BANAT AND TIMIS REGIONS

Since the labour market situations on Serbian and Romanian level are relatively comparable, it is important to find out if this is applicable on the comparison of the Serbian Banat region and the Timis County.

Timis County, including the City of Timisoara as the capital of the county, is considered as one of the three biggest labour force concentration areas in Romania²⁵ (Business Review, 2018). Due to the exceptional ability to attract foreign investment in the previous period, the Timis county is an area of very developed labour market, compared to the other parts of Romania, excluding the city of Bucharest. Timis county is also one of the four areas in

²⁴ Monthly minimum wages in euro, national currencies and Purchasing Power Standards (PPS). The data are bi-annual and refer to 1 January (S1) and 1 July (S2)

²⁵ Business Review (2017), Analysis. Firms struggle to find workers on tight labour market in Romania, <https://business-review.eu/news/analysis-firms-struggle-to-find-workers-on-tight-labor-market-in-romania-149954>

Romania with the lowest workers outflow²⁶. In the beginning of 2019, the employer's needs were focused mostly on low qualified production workers²⁷.

On the other side, the Serbian Banat region faces labour market challenges very similar to the challenges on the national level. Here we speak about high inactivity and unemployment rate, unfavourable educational and age structure of job seekers, high level of long-term unemployment, labour market duality, qualitative differences between labour supply and labour demand etc. Employers are mostly interested in production related occupations (in technical and natural sciences), specific job-related trainings. Finally, employers in Banat prefer job seekers with relevant and sufficient work experience. In most cases employers are looking for people prepared to work in agriculture sector, food processing industry, chemical industry, environmental protection, tourism sector, entrepreneurship and craft activities²⁸.

Table 4: Indicators of labour market in the Serbian Banat region (annual average, age from 15 years)

	Northern Banat			Middle Banat			Southern Banat		
Indicator	2016	2017	2018	2016	2017	2018	2016	2017	2018
Activity rate	51.1	49.8	52.3	49.2	50.4	50.6	49.4	49.4	49.9
Employment rate	43	44.5	46.4	41.3	43.2	45.8	40.9	43.1	44.6
Unemployment rate	15.9	10.7	11.4	16	14.3	9.5	17.1	12.8	10.5
Inactivity rate	48.9	50.2	47.7	50.8	49.6	49.4	50.6	50.6	51.1

Source: Labour market survey

The labour market indicators for the Serbian Banat show that compared to the national level, the labour market situation is worse in most of the cases – activity rate and employment rate are lower, since the inactivity rates are higher than average. On the other hand, unemployment rate was decreasing during the observing period of time, so in 2018, the unemployment rate was lower in the Serbian Banat than in Serbia in general. Data received from the Employment

²⁶ Chitea, M.A. (2018), Romania's Labour Force in Regional Profile after the Accession to the European Union, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development, Vol. 18, Issue 1, 2018, pp 125

²⁷ EURES portal,

<https://ec.europa.eu/eures/main.jsp?catId=9463&acro=lmi&lang=en&countryId=RO®ionId=RO4&nuts2Code=RO42&nuts3Code=null®ionName=Vest> (February 2020)

²⁸ RDA Banat (2014), Study on current and future employer needs and limitations for finding employees with specific kind and level of qualifications

Service in Timisoara show that unemployment rate in 2016 was 1.14, in 2017 it was 1.02, and finally the unemployment rate in 2018 was 0.78, which is extremely low, both for the Romanian and the EU level. It could be concluded that the unemployment rate in the Timis County is not comparable with the unemployment rate in the Serbian Banat.

Table 5: Number of registered unemployed persons (2014-2018)

	2014	2015	2016	2017	2018
Serbian Banat Region					
Registered unemployment	62636	60127	57746	48867	41242
Females	31185	29908	28615	24502	20673
Female unemployment (%)	49.79	49.74	49.55	50.14	50.12
Timis County					
Registered unemployment	5433	4329	3944	3540	2742
Females	2749	2263	1998	1875	1484
Female unemployment (%)	50.59	52.27	50.65	52.96	54.12

Source: Regional Employment Service Offices

Bearing in mind the similar population of the Serbian Banat region and the Timis county (about 665 thousand of citizens and about 700 thousand of citizens, respectively), there is a huge difference in the number of registered unemployed people in the observed regions. Regional employment service offices in the Serbian Banat region register over 10 times more unemployed persons than the regional employment service office in Timisoara. In the period between 2014 and 2018, we observe a continuous decrease of registered unemployed persons, with faster decrease of unemployed people in the Timis County. In 2014 there was 11.53 times higher registered unemployment in the Serbian Banat region than in the Timis County. In 2018, the difference increased to 15.04 times more unemployed people in the Serbian Banat region. The share of female unemployment is a bit less than 50% in the Serbian Banat region, compared to registered female unemployment over 50% in the Timis county.

Table 6: Registered long-term unemployed persons

	2014	2015	2016	2017	2018
Serbian Banat Region					
Number of registered long-term unemployed persons	40880	37760	36550	32409	25916
Long-term unemployed persons (%)	65.26	62.80	63.29	63.32	62.83
Timis County					
Number of registered long-term unemployed persons	1017	971	634	756	628
Long-term unemployed persons (%)	18.72	22.43	16.08	21.35	22.9

Source: Regional Employment Service Offices

Long-term unemployment levels are almost incomparable between the observed regions. In 2014, the registered long-term unemployment in the Serbian Banat region is 40.2 times higher than in the Timis county, while in 2018 the difference is 41.27 times. The share of long-term unemployed persons in total unemployment is also much higher in the Serbian Banat region than in the Timis county. In both the cases, absolute numbers of long-term unemployed people decreased in the period from 2014 to 2018. In the observed period, the percentage of long-term unemployment slightly decreased in case of Serbian Banat, since it increased in the Timis county, but the difference remains huge between the regions.

Table 7: Job search period by age in 2018 (in months)

Age	Kikinda	Zrenjanin	Vršac	Pančevo
15-19	10	11	8	7
20-24	21	18	21	18
25-29	34	26	38	29
30-34	47	34	59	44
35-39	50	40	64	59
40-44	54	47	72	68
45-49	59	49	75	75
50-54	58	50	73	72
55-59	56	54	77	71
60-65	61	60	84	72
	Timis County			
Up to 25	16.4			
25-29	4.8			
30-39	12.7			
40-49	16.1			
50-55	18.6			
More than 55	28.7			

Source: Regional Employment Service offices

Analysing the table related to the job search period, it can be concluded that it is much shorter in the case of the Timis County. The period needed for finding a job for people up to 25 years of age is similar in both cases, but the job seeking period is up to four times longer in the Serbian Banat region, compared to the Timis County. In both cases, in the most challenging position are job seekers older than 55. In the Serbian Banat region, the data are similar for the age segment of job seekers older than 40 or 45, which depends on the data provided by different regional employment service offices in the Serbian Banat largest cities²⁹.

Table 8: Numbered of registered and employed persons with disabilities

	2014	2015	2016	2017	2018
Serbian Banat Region					
Registered persons with disabilities	NA	NA	NA	NA	NA
Employed persons with disabilities	508	692	818	871	813
Timis County					
Registered persons with disabilities	73	41	17	28	19
Employed persons with disabilities	39	14	1	9	0

Source: Regional Employment Service offices

Both regional employment service offices are active in the employment of persons with disabilities. The reasons for these results could be found in the budget for active labour market measures allocated specifically for persons with disabilities. Also, employment of persons with disabilities is legally enforced both in Serbia and Romania, for the organizations of certain size³⁰. While the number of registered unemployed persons with disabilities is rapidly decreasing in the Timis county (which is followed by a decrease of employment of persons with disabilities), we can observe a constant increase of employment of persons with disabilities in the Serbian Banat region³¹.

²⁹ Those cover different Banat municipalities.

³⁰ Organizations employing over 20 employees in Serbia and 25 employees in Romania

³¹ The number of registered unemployed persons with disability was not available to the researchers in the moment of the study development.

The most frequent active labour market measures in the Timis County are:

- Trainings and courses
- Career counselling and informing
- Employment mediation
- Additional or new qualification attainment
- Consulting for start-ups and self-employment

The biggest share of regional budget for labour market measures in the Timis County is allocated to subsidies for employment of apprentices and recently graduated students.

According to the Serbian National Action Employment Plan 2020, the most important active labour measures are: employment mediation, professional orientation and career planning, subsidies for employment and self-employment and support for social inclusion. Specifically, in 2020, the national budget will be available for the following measures:

- Subsidies for interns
- Subsidies for young people with higher education,
- Qualification attainment programs for non-qualified persons and long-term unemployed people
- Trainings and courses developed by observed labour market needs
- Trainings and courses at employers' request
- Subsidies for employment of less employable persons
- Subsidies for self-employment
- Public works program (available only for the poorest municipalities and regions)

The priority for becoming a user of active labour market measures in Serbia is to be classified as less employable persons, which are: persons with disabilities, non-qualified and low-qualified job seekers, people older than 50 years, long-term unemployed persons, women (specially long-term unemployed), people younger than 30, Roma, beneficiaries of social assistance and people who are dismissed as employee surplus at their previous employment. According to the National Employment Action Plans, local governments develop local employment action plans. Municipalities and cities in the Serbian Banat region can be users of national budget for most of the planned labour market measures, excluding those planned for the poorest municipalities in Serbia (public works, for example). Local governments are co-financing the active labour market measures, but there are difficulties in summarizing the active labour market measures budget at the observed regional level.

About a half of the registered unemployment persons in the Timis County are users of active labour market measures, compared to about a quarter in Serbia³². Employment mediation success rate (according to the number of job vacancies) in the Timis Region goes from 86.42% in 2014 to 81.06% in 2018. In the same time, employment mediation success rate of the public employment service is less than 50% in Serbia.

SURVEY

The field research was supported by the regional chambers of commerce and RDA Banat, which were responsible for sending questionnaires to the organizations. Most of the respondents were directors/managers of the organizations in both cases.

The results contain responses of 57 organizations from Serbian Banat and 41 organizations from the Timis County. The sample contains organisations from both private and public sectors from different industries, although those are not evenly distributed in the analysed regions. Public sector organizations from the Serbian Banat participated in the survey in 59.65% cases, compared to 21.95% cases in the Timis county. Private sector organizations were much more responsive in the Timis County, since they covered 78.9% of the sample, comparing to 40.35% in the Serbian Banat. It could influence some of the results and conclusions.

Table 9: Average number of employees in the responding organizations (2017-2019)

	2017	2018	2019
Banat	137	175.7	168.8
Timis County	133.25	127.88	132.45

Source: Survey results

Average number in both samples is similar in 2017. It rises in the Serbian Banat case, compared to the sample from the Timis County. In 2019, there is almost the same number of workers in the Timis County, while in Banat there is an increase in the number of employees of about 23.4%. It could be explained by a higher number of available workers, which will be discussed in the further analysis.

Being asked about future expectations of employees' number change, 70.18% respondents from the Serbian Banat expected employee inflow, compared to 80.49% of the Romanian respondents, which indicates a great need for workers in both cases. It is even more emphasized in the case of the Timis Region, bearing in mind a very small number of job seekers.

³² Which can be an approximation for the Serbian Banat region, due to the data unavailability.

Table 10: Reasons for expected employee inflow

Reasons	%
Serbian Banat Region	
Increased scope of work (demand driven)	46
Expansion of business capacity (supply driven)	18.9
Replacing employees that are leaving (retirement, dismissal)	27
Lifting the employment ban	8.1
Timis County	
Increased scope of work (demand driven)	52.2
Expansion of business capacity (supply driven)	24.8
Replacing employees that are leaving (retirement, dismissal)	23

Source: Survey results

Reasons for the expected employee inflow are almost identical in both cases. The employers primarily look for new workers because of the increased demand, which is related to about half of the answers in our samples. Planned investments in new business capacities are the second answer by frequency in the Romanian sample and the third in the Serbian sample of organizations. About 19% of the respondents from the Serbian Banat and about ¼ (24.8%) of the Romanian respondents gave this explanation for expected hiring in the following year. Employee replacement due to retirement and planned dismissals is also a very frequent answer in both cases. Serbian organizations from public sector expect lifting the employment ban which has been in force for the last several years, so 8.1% of the respondents mentioned it as an important reason for future hiring³³.

³³ According to comments of the regional employment service representatives from Timisoara, employment ban in Romanian public sector has been in force since last year (2019) and will stay in force this year.

Table 11: Reasons for expected employee outflow

Reasons	%
Serbian Banat	
Retirement	53.8
Moving abroad	23.1
Reduction of business activity	19.2
Other (low salaries)	3.9
Timis county	
Retirement	47
Minimum wage increase	23.2
Reduction of business activity	15.8
Other (maternity leave, project end, low salaries etc)	14

Source: Survey results

Retirement is the most frequent reason for the expected employee outflow in both the Serbian Banat region and Timis County (53.8% and 47%, respectively). Serbian respondents are expecting that some of their employees will emigrate to economically more developed countries (23.1%). The respondents from the Timis County think that a significant minimum wage increase (explained earlier) will make business less profitable, so it could be the reason for employee outflow (23.2%). Reduction of business activity as a reason for employee outflow is mentioned in less than 1/5 cases.

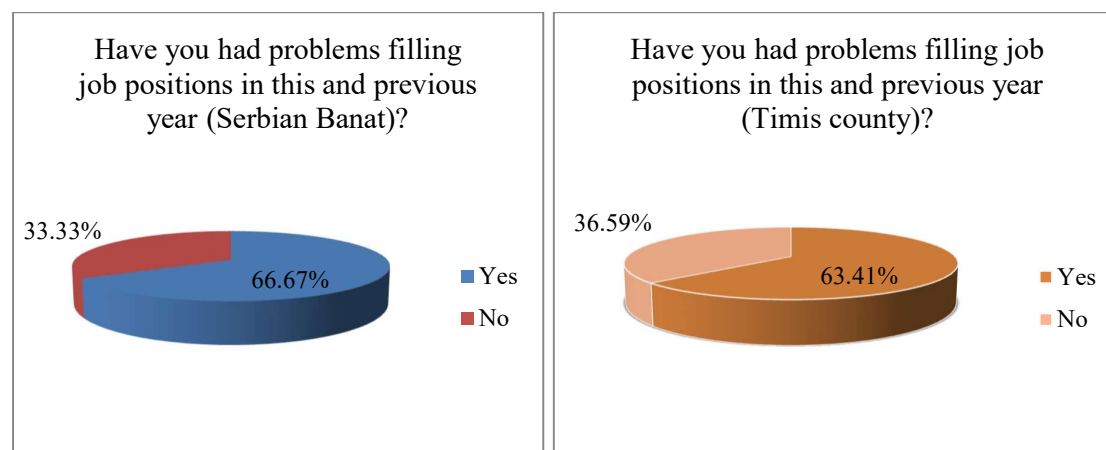
Respondents in the Serbian Banat region gave an estimation of 6.6 new employees at an average and 2.6 leaving employees for 2020. In the same period, Romanian respondents estimated 7.44 new employees and 8.12 employees that could potentially leave the organization.

The respondents were also asked about employing persons with low employability³⁴. In 84% of the respondents from the Serbian Banat and 63.41% respondents from the Timis County

³⁴ Persons with disabilities, persons younger than 30 years, persons older than 55 and others.

employ workers from most of the low employable segments of labour force. Those are primarily workers younger than 30 and older than 55, followed by employing persons with disabilities. It should be emphasized that employment of persons with disabilities is legally enforced³⁵ and supported by subsidies for new employees in both countries/regions. Also, active labour market measures in both countries provide financial support for employment of other groups of less employable persons (young job seekers without work experience, older workers etc).

Chart 2: Unfilled job positions



Source: Survey results

About 2/3 of the respondents in both of the samples had problems filling job positions in the last two years, which is in accordance with the employment services data. This is a serious challenge and a potential long-term burden for further economic development of the observed regions. Analysis of the mentioned reasons could make it clearer if the quality or quantity of job seekers caused this issue.

Table 12: Reasons for unfilled job positions

Reason	%
Serbian Banat	
Lack of job seekers with needed qualifications	64.29
Lack of job seekers with sufficient work experience	35.71
Lack of interest or motivation of job seekers	19.05

³⁵

Lack of job seekers with required IT skills	9.52
Lack of job seekers with required foreign language skills	4.76
Other reasons	28.57
Timis county	
Lack of job seekers with needed qualifications	54.9
Lack of job seekers with sufficient work experience	14.29
Lack of interest or motivation of job seekers	11.43
Other reasons	20

Source: Survey results

The other reasons stated by the respondents for unfilled job positions are: banned employment and low wages in the public sector, lack of unqualified and low-skilled workers and low wages in general (Serbian Banat region). The respondents from the Timis County were focused on dynamic market requirements and frequent changes of employers' demand. Lack of interest among workers was also one of the frequently stated reasons for unfilled job positions.

Table 13: Occupations in the highest demand

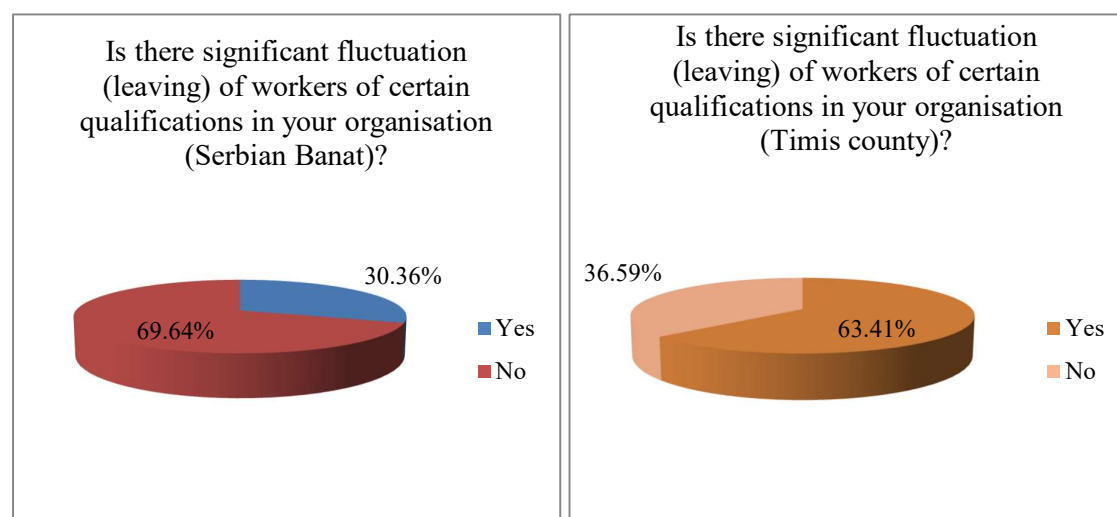
	Serbian Banat
1	Qualified production workers
2	Low-skilled workers
3	Production engineers/electric engineers
4	Professors/teachers
5	Drivers and driving instructors

6	Economists
7	Administrative workers
8	Other
Timis county	
1	Qualified production workers
2	Low-skilled and non-skilled workers
3	Construction workers
4	Sellers, Marketing &PR specialists
5	Engineers
6	Economists
7	Drivers
8	Administrative workers
9	Other

Source: Survey results

In both samples, low-skilled workers and qualified production workers are in the highest demand. Workers with higher education level differ among the surveyed employers to some extent, so the respondents from Serbia look for engineers, teachers and professors, while the respondents from Romania look for sellers, marketing and PR specialists and engineers. Economists and administrative workers are needed in both regions, as well as drivers. We observe very similar labour demand in the two regions struggling for new workers, so in case of an open market with free labour flow, employers would become direct competitors for the deficient labour force. Solutions for this challenge could be found in joint efforts invested in education of future workers, especially on the secondary education level. Partnerships with schools, scholarships for talented students and promotion of occupations in need could give positive results in mid- and long-term period.

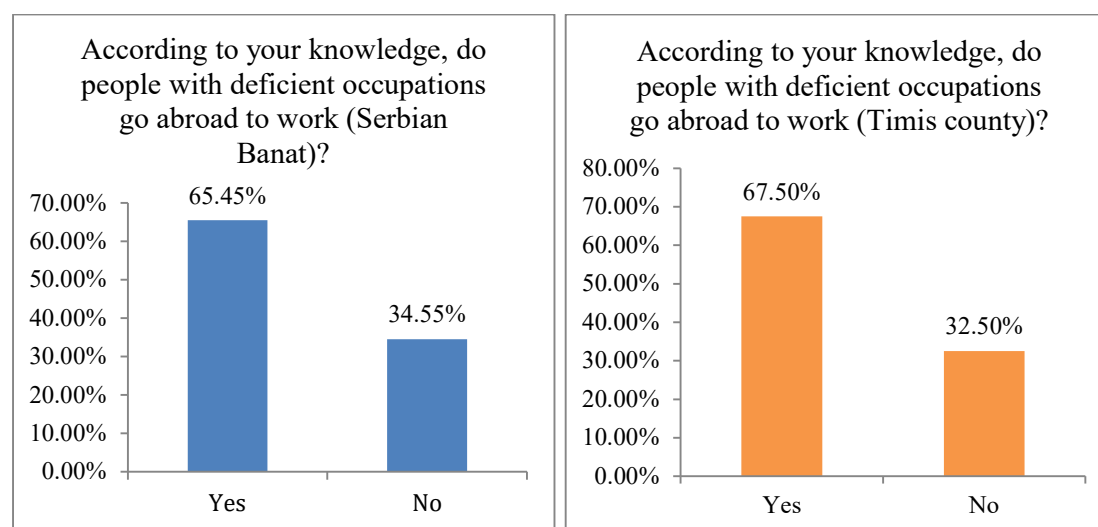
Chart 3: Fluctuations of employees



Source: Survey results

Most of the respondents are confident in their ability to keep their workers in the organizations and state that employee structure is relatively stable over time. Almost 70% of the respondents from the Serbian Banat region and 63.41% of the respondents from Timis County are not worried that most workers would leave their organizations in the following period. The idea of internalizing and integrating the regional labour markets could change this statistic, because current workers would get more job options. Since salary is the most important factor for job decision in the case of low and non-skilled workers, the measure could increase fluctuation of workers in the region with lower salaries (the Serbian Banat region).

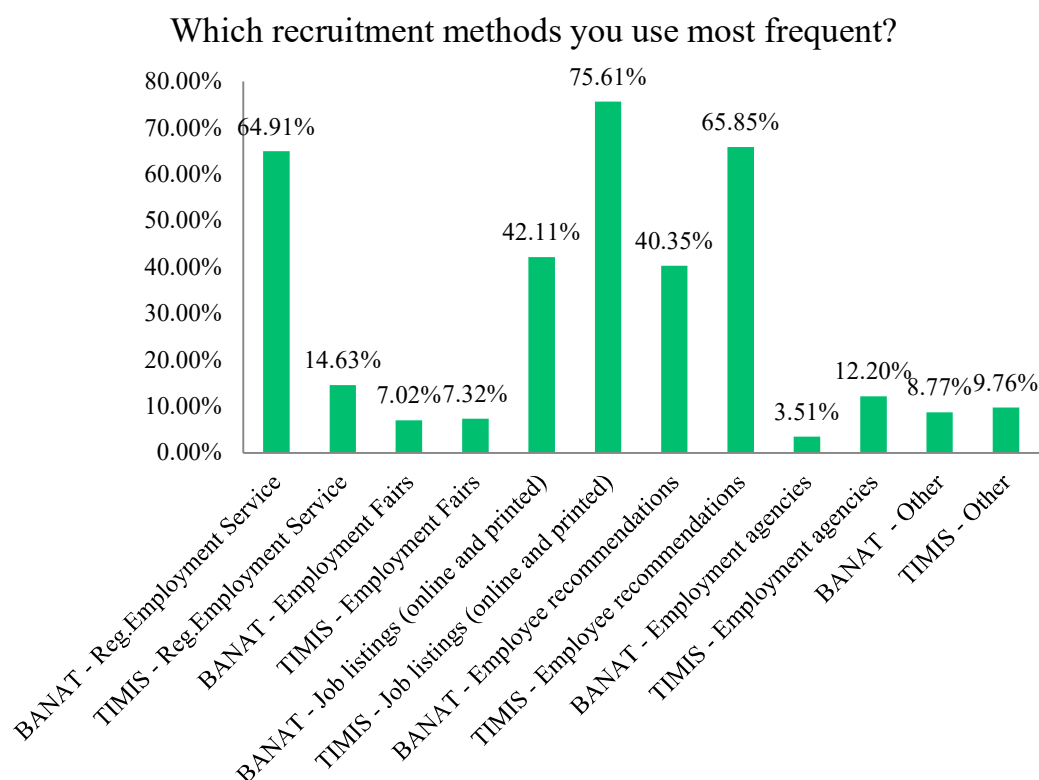
Chart 4: Workers going abroad



Source: Survey results

It is important to emphasize that most respondents didn't answer this general question, which is comparable to results of similar employer surveys. Answers are almost identical in Serbian and Romanian case. About 2/3 of the respondents are aware that people with deficient occupations go abroad to work.

Chart 5: The most frequent recruitment methods



Source: Survey results

The most frequent recruitment method in the Serbian Banat region is Regional Employment Service (64.91%), although it is a modestly used recruitment method in the Timis County (14.63%). Job listings are the most dominant recruitment method in the Timis County (75.61), which is less used in the Serbian Banat, but also a frequent recruitment method (42.11% of the respondents use this method). Employee recommendations are a very important recruitment method in the Timis County (65.85%), and also significant, but less used in the Serbian Banat (40.35%). Employment fairs and employment agencies' services are not dominant recruitment methods in neither of the cases. In both samples the answer "Other" was used for business partners and friends recommendations as frequently used recruitment method. Bearing in mind previously mentioned importance of employee recommendations for the surveyed employers, recommendations from people of trust can be considered as the most reliable recruitment method.

Table 14: Employment contract that would be offered to new employees

	Kind of work contract	%
	Serbian Banat	
1	Fixed-term employment contract	64.81
2	Indefinite employment contract	40.74
3	Temporary work contract	12.96
4	Service contract	7.41
5	Supplementary work contract	1.85
	Timis county	
1	Indefinite employment contract	68.29
2	Fixed-term employment contract	29.27
3	Internship contract	9.76
4	Part-time work contract	7.32
5	Temporary work contract	4.88

Source: Survey results

Answering the question related to work contracts that surveyed employers would be ready to offer to new employees (multiple answers were allowed), most of the survey employers from the Timis County were ready to immediately offer indefinite employment contract to new employees (68.29%). It could be explained by extremely low availability of local job seekers and modest internal labour mobility. Indefinite employment contract offer is seen as a way of attracting job candidates, by providing them job security from the start. The surveyed employers from the Serbian Banat region are ready to offer fixed-term contracts in most of the cases (64.81%), and indefinite employment contracts in a considerably smaller number of cases (40.74%). Internship contract and part-time work contract are also seen as important in the Timis County (9.76% and 7.32), while the Serbian Labour Law does not recognize those

kinds of work contracts. Temporary work contracts and Service contracts are mentioned as options given by the respondents from Serbia (12.96% and 7.41% respectively) and it could be explained by seasonal jobs (mostly in tourism and agriculture). Also, employment ban in the Serbian public sector forces institutions to offer non-standard work contracts so they could evade the employment ban for the needed job positions.

Table 15: Education attainment level required by employers³⁶

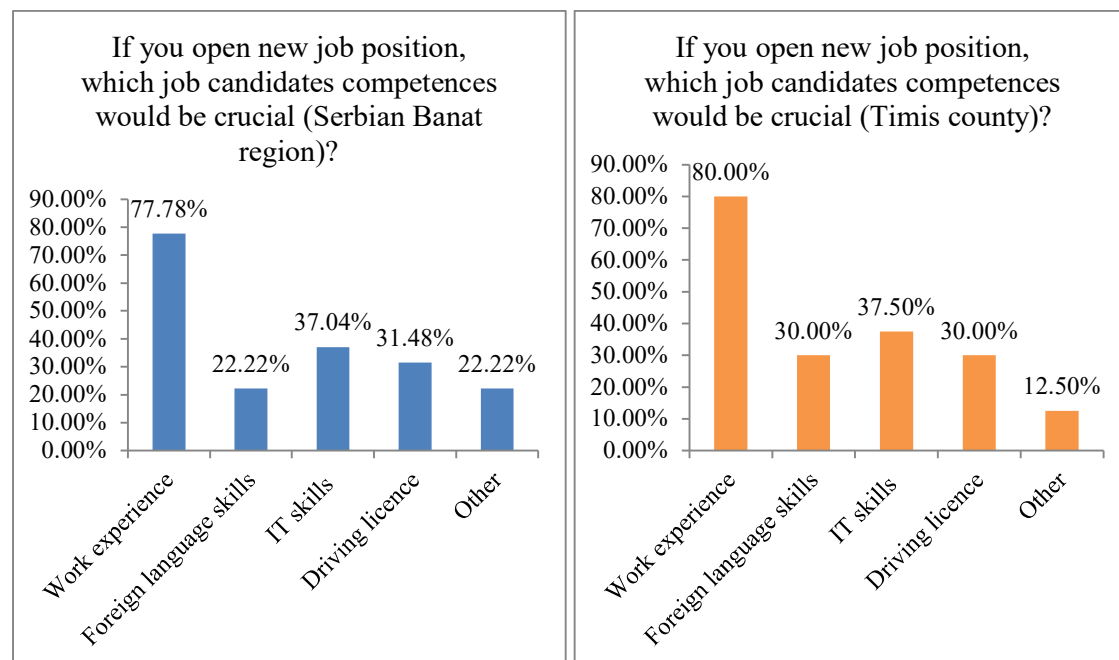
	Serbian Banat	Timis County
Less than primary, primary and lower secondary education (levels 0-2)	5.56	12.20
Upper secondary and post-secondary non-tertiary education (levels 3 and 4)	86.7	90.25
Tertiary education (levels 5-8)	75.93	60.98

Source: Survey results

Employers in the Timis County are looking for more workers without any qualifications than employers from the Serbian Banat region (12.20% comparing to 5.56%), which is also applicable to upper secondary and post-secondary non-tertiary education (90.25% compared to 86.7%). On the other hand, respondents from the Serbian Banat region are looking for more workers with tertiary education (75.93%), compared to the surveyed employers from the Timis County (60.98%). These results could be explained by different employers needs but also by the samples structure, since the sample from the Timis Country contained much more employers from private sector, which was previously presented in this paper.

³⁶ When asked about required education attainment level of new employees, the respondents could choose more than one option.

Chart 6: Required competences for new job positions³⁷



Source: Survey results

Most of the surveyed employers agree that work experience is the most important characteristic of job candidates (77.78% in the Serbian Banat region and 80% in the Timis County). It is followed by the need for IT skills (about 37% in both regions) and driver's licence (about 30%). Foreign language skills are more important in the Timis County (30%), than it is the case in the Serbian Banat region (22.22%). As other preferred characteristics and competences of job candidates, the respondents from the Serbian Banat mentioned: professional licence for specific industries, appropriate level of education and professional qualifications, responsibility, teamwork, communication skills, etc. On the other hand, employers from the Timis County insist on the ability to learn and constantly study and improve. "Seriousness" was also mentioned in several cases, probably because of the excessive labour demand, which brings various choices to job candidates in the Timis County, so they are able to easily change their mind and quit one job because of other job offers.

³⁷ Multiple answers were allowed

SWOT ANALYSIS

The SWOT analysis was influenced and primarily set up by the research results, but it was mainly a joint result of the project stakeholders: representatives of regional chambers of commerce, regional branches of the national employment services, private and public sector representatives, relevant experts etc.

Table 16: SWOT Analysis – Banat

<p>Strengths</p> <ul style="list-style-type: none"> + Unemployment reduction trend + A system of active employment measures has been established + Existence of skilled and experienced workforce + Work on restructuring the education system in line with market needs + Opportunities to improve human resources in line with the needs of the labour market (dual education of SCC) + Self-employment programs and support through national policy measures + Employment programs for vulnerable population groups 	<p>Weaknesses</p> <ul style="list-style-type: none"> – Low wages – Labour market duality – Population aging trend – Mismatch between the qualification structure of the workforce and the needs of the economy (outdated knowledge and skills) – Gender gap – Lack of coordination and information between educational institutions, labor market institutions, employers and the unemployed. – Low level of internal mobility of workers (except for centres of concentrated economic activity) – High level of early school leaving (NEET rate Not in Education, Employment, or Training)
<p>Opportunities</p> <ul style="list-style-type: none"> + EU candidate country + Opportunity to participate in cross-border cooperation programs + Opportunities for cooperation between universities and schools through cross- 	<p>Threats</p> <ul style="list-style-type: none"> – Population migration and birth rate decline (outflow of working-age population, especially skilled) – Insufficient and inadequate investment in R&D

border programs	– Poor economic development
+ Existence of faculties from different fields in the targeted area	– High level of labour migration to other cities (Belgrade, Novi Sad)
+ Existence of a network of secondary education schools in the targeted area	– Unfavourable tax policy for entrepreneurship employment
+ Continuous organization of job fairs in the targeted area	– Reduced institutional and administrative capacity (decrease of number of the Public Employment Service employees)
+ Potential for the development of new sectors in the economy (e.g. agritourism)	– Inactive local employment councils
+ Modernization of agriculture	– Lack of support for new hiring in domestic enterprises
+ Inflow of new investments and further development of existing ones (opening of new companies, factories, plants)	– Lack of support for domestic enterprises development
+ Creating a favourable economic environment and further development of small business	

Source: Authors

Table 17: SWOT Analysis – Timis Region

Strengths	Weaknesses
+ A decreasing trend of long-term unemployment	– Low wages (compared to EU 28)
+ An increasing trend of the activity rate of working age population (age 15-64)	– Absence of vocational secondary schools
+ Improvement of the professional structure of employees	– Population aging trend
+ Increased need for new jobs	– The labour market is not dynamic and flexible (compared to EU 28)
+ Employment programs for vulnerable population groups	– Relatively high early school leaving (NEET rate Not in Education, Employment, or Training)
	– Structural mismatch between supply and demand in the labour market

Opportunities	Threats
<ul style="list-style-type: none"> + EU Member State (freedom of movement of production factors) + Opportunity to participate in cross-border cooperation programs + Ability to use Structural and Investment Funds for active employment measures (Multiannual financial framework 2014 - 2020, Youth Employment Initiative) + Reform of economic, educational, social and educational policies + Modernization of labour market functionality through improvement of legislation + Identification and stimulation of economic sectors that are more competitive + Modernization of agriculture + A growing trend in investment in infrastructure and construction + High capacity to create added value in the services sector + Active labour market measures (subsidies for new employees, employees from other Romanian regions and for persons with disabilities) + Public policy making based on scientific research + Development of automotive and IT industry + Bilateral agreements with specific countries related to easier workers immigration 	<ul style="list-style-type: none"> – High level of labour migration to other EU countries – Poor absorption of Structural and Investment Funds (Multiannual financial framework 2014 - 2020) – Large population in rural areas, reduced chances of job change and vocational training – Disparity in urban and rural regions in economic development and available jobs – Unbalanced economic activity by region – Reduced institutional and administrative capacity (decrease of number of the Public Employment Service employees) – Decreased competitiveness for new FDIs due to lack of available workforce – Decreased profitability for new FDIs and domestic investors due to increase of minimum wage which is faster than productivity increase

KEY FINDINGS (DIAGNOSIS OF THE CURRENT SITUATION)

The main purpose of this diagnosis is to discover potential modalities and areas of cooperation between the Serbian Banat region and the Timis County, so the regional labour markets could be improved in the sense of efficiency and demanded workers availability. During this research, we have identified both similarities and differences between the analysed regions. Those should be pointed out, so decision makers and action plan developments could bear in mind common challenges and potential for improvement, cooperation and economic growth.

Both regions have similar labour market challenges:

- **Migration of workers** to economically more developed countries, which decreases available workforce and limits local economic development;
- **Aging of population** influences the regional labour markets in the similar way as the previous issue, but also making constant pressure on public finances;
- **Gender gap** in all of the aspects of labour market position, which could be seen as a potential for certain workforce activation through active labour market measures;
- **Unmet employers demand**, in the aspects of quantity and quality of available workers which significantly limits future business and investment plans of current and potential investors;
- **High demand for low-skilled workers**, which are specially attracted to the countries with higher standard of living, because of the higher minimum wages;
- **Regional development disparities**, that are beneficial in the case of the Timis County, since it is one of the employment centres in Romania. On the other side, the Serbian Banat region is not one of the economic and employment centres in Serbia, so it could be seen as “left behind“, compared to the biggest economic and FDI attraction centers in Serbia;
- **Lack of cooperation between companies and educational institutions**, which could decrease labour market structural challenges.

Differences between the analysed regions could be summarized in the following way:

- **Timis County faces much lower unemployment rate** and a bigger problem of the lack of employees with relevant qualifications;

- Timis County citizens and businesses have access to **the EU education and employment policies, including EU funded projects for labour market improvement**;
- **Timis County is more developed economically with higher minimum wages** offered to non-qualified and low qualified workers;
- **The Serbian Banat region has higher unemployment rate** and thus bigger potential for finding or creating workers with needed qualifications;
- **The Serbian Banat region has more vocational and higher education schools** that can potentially offer workers with proper qualifications;

The labour markets in the Serbian Banat and the Timis County are rather similar than complementary, so implementation of general measures solely towards regional labour markets integration would be more beneficial for more developed region with higher minimum wages, which is the Timis County. On the other hand, measures of the regional market improvements could be directed towards solving common challenges and using complementary differences of the neighbourhood region. Our recommendations would go in that direction.

GENERAL AND SPECIFIC OBJECTIVES, PRIORITIES AND MEASURES

Bearing in mind all the previously observed labour market aspects in the targeted area, **the proposed general objectives** of this study are:

- Better access to labour market for job seekers, especially for disadvantaged groups;
- Improved recruitment success for employers in the targeted area;
- Better cooperation among labour market institutions and other relevant stakeholders in the cross-border area;
- Enhancing self-employment opportunities through microenterprises development programs.

The general objectives are followed by specific objectives, which are:

- Improved availability of labour market information in the targeted area;
- Increased work activity of all segments of population, specially of persons from disadvantaged groups;
- Decreased number of unemployed people in the targeted area (the Serbian Banat region);
- Increased number of job assistance services users;

- Decreased number of unemployed persons from disadvantaged groups;
- Decreased number of long-term unemployed persons;
- Increased number of successfully filled job vacancies in the targeted area.

Potentials for cooperation and the regional labour market outcomes improvement are numerous. It can be organized within several priorities:

1. **Improvement of cross border labour mobility** – Facilitating the mobility of workers should be one of the priorities of the bilateral cooperation and labour market institutions joint activities. Bilateral agreement on free labour movement in the cross-border area can be a step towards this priority. It could decrease unemployment in the Serbian Banat region, but also activate some of the currently inactive citizens in the mentioned region. In the short term, this measure could make problems for employers from Serbia (increasing workers outflow and decreasing availability of new workers). Nevertheless, a joint result of all of the proposed measures could potentially lead to improved work conditions in both regions and develop business activity in the whole cross-border area.
2. **Improvement of regional educational systems** – Quality of educational systems is the most important for the labour market future, so we want to put special attention to this group of measures. Being aware of EU supported programs for improvement of education at all levels (Erasmus+, for example), future activities and projects should be directed towards facilitating the mobility of students, teachers and professors, as well as an intensive knowledge share. Cooperation on vocational education development should also be prioritized and implemented via projects on secondary schools' cooperation and joint projects on adult education.
3. **Multi-sectorial cooperation between private, public and civil sectors** - The regional employment services should be the focal point of labour market integration. Bearing in mind that most employers from the Serbian Banat region regularly use job listings of the National Employment Service, while employers from both regions frequently use online and printed media and job boards, an integrated information system for open job positions should be developed, so the vacancies could be visible to job seekers from the whole Banat area. Cooperation among the regional employment services could be further developed by conducting joint active labour market policies, especially related to direct work with job seekers on job training and active job seeking. Projects for professional knowledge and experience exchange, employees training and education, as well as on employment services capacity building are also very important at this point. Special attention should be given to the vulnerable groups of job seekers through positive discrimination in recruitment and selection processes, as well as through an increased quota for active labour market measures for these groups of users. The regional chambers of commerce represent all the companies and enterprises from the observed regions, and these institutions should be in charge of all the activities that could be directly beneficial for organizations from the Banat area. One of the proposed projects is piloting of the cross-border dual education programme, so Serbian students and pupils could have internships in Romanian companies and vice versa. Regional chambers of commerce

should also be initiators of cooperation among schools and employers. Through a developed system of financial and professional support to schools (giving lectures, recommendations for curricula development, scholarships for talented students etc), young people could be prepared for labour market and even already recruited by some employers on the graduation day. Finally, other stakeholders should be activated in joint initiatives and projects to support inclusive growth of the targeted area through improved labour market efficiency and accessibility. Beside the previously mentioned, important stakeholders in this sense are private recruiting agencies, start-up hubs, civil society organizations representing marginalized groups, local governments, employers' associations and others.

Measures that should follow all the objectives and defined priorities are:

- Development of online job board with information available to all job seekers from the whole targeted area. The online job board will include job postings of employers both from the Serbian Banat and the Timis region;
- Development and enforcement of the cross border agreement for easier workers mobility;
- Development of the joint inclusive growth strategy that would include development needs of the both regions, as well as all relevant social and economic priorities of the targeted area;
- Development of tailor made short and mid-term vocational education programs for unemployed persons, adjusted to the needs of specific employers or professions in demand;
- Development of joint internship and dual education programs which will foster harmonization and integration of the labour markets in the targeted area;
- Providing subsidies programs for employment in start-ups and already established microenterprises which should provide sustainable employment for certain number of people in the area;
- Establishment of cross border Employers Advisory Board, that will support work of labour market institutions in the targeted area. Also the Employers Advisory Board should provide recommendations to educational institutions in the area related to curricula development and other relevant issues.

ANNEXES

ANNEX 1: Terms of Reference

TECHNICAL INFORMATION

The tenderers are required to provide services as indicated below. In the tenderer's technical offer, the tenderers might indicate more details on the deliveries, referring back to the requirements below.

1.1.Activity 1: Specialized consultancy for Labour Market Analyses

Description of expected outputs/_ results to be achieved

Service will include:

- Analyse the situation of the labour market on both sides of the border (Banat on Serbian and Romanian side).
- Elaboration of **questionnaire**, as support of process to support Contracting Authority and its project partners to contact potential employers, from eligible territory in order to identify the special needs and expectations regarding the skills of the personnel to be hired.
- Moderation and keeping of 4 workshops. Relating the process of preparation of the study it will be organized four two-days Joint workshops during the period of labour market analysis which will be mechanism for involvement of all relevant target groups, in order to be able include all aspect of labour market in covered territory. Workshop venue will be provided by Contracting Authority, two in Zrenjanin and two in Timisoara.
- Contractor will analyse results and integrate in the Study, by given directions. The scope of this document is to provide an accurate and updated analysis of the labour market in Banat region.
- Beside general analysis, the Study will deal with needs and opportunities for employment of underprivileged persons. Final result will be a document which, on the one hand presents the analysis of actual situation, defining objectives, measures and priorities, and on the other, gives proposals, measures and activities to overcome current shortcomings.
- The Study will be focused to:
 - Create a comprehensive picture of the labour market in the area;
 - Identify the main areas in which intervention is required;
 - Analyze situation of employment and provide recommendations and opportunities for disadvantaged persons

- Identify the institutions with responsibilities in employment domain, in education and training of the unemployed/inactive/disadvantaged persons, any other institutions with relevant responsibilities in the targeted domain;
 - Include a section regarding the legal aspects of the employment on the other border side;
 - Determine the qualifications most sought by economic operators in the area;
 - Detail the unemployment rate (general and per categories) in the cross-border area and the available workforce in the targeted area;
 - Detail the situation of the inactive persons (unregistered unemployment), showing: the categories of these persons (age, specialisation, gender, etc.), unemployment reasons, and other relevant data;
 - Include a SWOT Analysis and a Diagnosis Analysis based on the current situation of the labour market in the targeted area.
 - The document will be made in English language
- Contractor will create also extract of Study with a purpose of supporting Contracting Authority in creating brochure.
 - Contractor is expected to provide presentation of Study and Study results on promotion conference to be held after Study is finished with a specific purpose of public promotion of Study in Zrenjanin (Serbia) and Timishoara (Romania).

ANNEX 2: Questionnaire for the National Employment Service

Reference period 5 years – data are needed for 2014, 2015, 2016, 2017 and 2018

Reference territory - Banat

1. Unemployment rate **total**
 - 1.a. Unemployment **by gender**
 - 1.b. Unemployment **by age**
 - 1.c. Unemployment **by professional degree**
 - 1.d. Unemployment **by vocation group**
2. Time spent at the Unemployment Office **average**
 - 2.a. Time spent at the Unemployment Office **by gender**
 - 2.b. Time spent at the Unemployment Office **by age**
 - 2.c. Time spent at the Unemployment Office **by professional degree**
 - 2.d. Time spent at the Unemployment Office **by vocation group**
3. What is the percentage of job seekers who stay registered with the National Service for a period longer than a year? (long*term unemployment rate)
4. Users of financial support **total**
 - 4.a. Users of financial support **by gender**
 - 4.b. Users of financial support **by age**
 - 4.c. Users of financial support **by professional degree**
 - 4.d. Users of financial support **by vocation group**
5. Reported needs for employees' **total**
 - 5.a. **Structure** of employers contacting the National Employment Service (entrepreneurs, SMEs, corporations, jobs abroad)
6. Employment of registered persons **total**
 - 6.a. Employment of registered persons **by gender**
 - 6.b. Employment of registered persons **by age**
 - 6.c. Employment of registered persons **by professional degree**

- 6.d. Employment of registered persons **by vocation group**
- 7. Employment of persons with disabilities **total**
- 8. List the most demanded vocations according to the NES' data
- 9. Which vocations are most difficult to find adequate candidates?
- 10. Percentage/rate of unfilled job positions?
- 11. List the most demanded transferable knowledge and skills (IT skills, foreign languages, etc.) according to the results of the **employer survey**
- 12. List ten most frequent technical knowledge and skills (trainings, etc.) demanded by employers, and expected from new employees according to the results of the **employer survey**
- 13. Financial support to unemployed persons by the National Employment Service **total**
 - 13.a. Users of financial support **by gender**
 - 13.b. Users of financial support **by age**
 - 13.c. Users of financial support **by professional degree**
 - 13.d. Users of financial support **by vocation group**
 - 13.e. Which criteria must be fulfilled for persons to be eligible for support?
 - 13.f. How long is support received?
- 14. Non-financial support to unemployed persons by the National Employment Service
 - 14.a. Which trainings and consulting services are available to unemployed persons?
 - 14.b. Who organises this type of support? Does donor community support these activities?
 - 14.c. Is non-financial support available to employed people who want to acquire new knowledge in order to change jobs or advance?
- 15. Which measures of the labour market include the largest number of beneficiaries?
 - 15.a. For which measures of the labour market is the biggest part of the budget funds allocated?

ANNEX 3: Questionnaire for the Chambers of Commerce

Reference period 5 years – data are needed for 2014, 2015, 2016, 2017 and 2018

Reference territory - Banat

1. Number of enterprises in the territory of Banat
 - 1.a. Number of enterprises by size (number of employees)
 - 1.b. Number of enterprises by field of activity (industry, code)
2. Number of employees in the territory of Banat
 - 2.a. Number of employees in the public sector
 - 2.a.a. Number of employees in the public sector by professional degree
 - 2.a.b. Number of employees in the public sector by positions
 - 2.a.c. Number of employees in the public sector by employment form
 - 2.b. Number of employees in the private sector
 - 2.b.a. Number of employees in the private sector po by professional degree
 - 2.b.b. Number of employees in the private sector by positions
 - 2.b.c. Number of employees in the private sector by employment form
3. Key problems faced by employers when hiring new employees?
4. Additional needs for labour
 - 4.a. Additional needs for labour by professional degree
 - 4.b. Additional needs for labour by positions
 - 4.c. Additional needs for labour by field of activity
5. What are the main recruitment methods for new employees
6. Data about labour from abroad
7. Basic reasons to employ people from abroad
8. Does the Chamber of Commerce implement specific measure regarding improvement of employment on the regional level? If the answer is yes, list the measures.
 - 8.a. Which measure have the biggest budget allocation?
 - 8.b. Which measures have proved to be most efficient?

ANNEX 3: List of reviewed and analysed documents

- Baicu G. (2018), Why Romania's low unemployment is irrelevant, Emerging Europe, <https://emerging-europe.com/voices/why-romanias-low-unemployment-rate-is-irrelevant/>
- Burciu, A. (2015), The Rise of Technology in Romanian Labour Market - A Long Term business or Just a Bubble?, Procedia Economics and Finance 23, 1550-1557
- Business Review (2017), <https://business-review.eu/news/analysis-firms-struggle-to-find-workers-on-tight-labor-market-in-romania-149954>
- Chitea, M.A. (2018), Romania's Labour Force in Regional Profile after the Accession to the European Union, Scientific Papers Series Management, Economic Engineering in Agriculture and Rural Development, Vol. 18, Issue 1, 2018, pp123-130
- [EURES portal](#),
- European Commission (2018), Recommendation for a COUNCIL RECOMMENDATION on the 2018 National Reform Programme of Romania and delivering a Council opinion on the 2018 Convergence Programme of Romania, COM(2018) 422 final, Brussels, <https://ec.europa.eu/info/sites/info/files/2018-european-semester-country-specific-recommendation-commission-recommendation-romania-en.pdf>
- EUROSTAT, Labour Market Database
- National Employment Service (2019), National Employment Action Plan, Republic of Serbia
- Petrariu, I.R. (2018), The Romanian Labour Market Assessment and Challenges to Join the Euro Area, The Annals of the University of Oradea, Economic Sciences, Tom XXVII 2018, Issue 1
- RDA Banat (2014), Study on current and future employer needs and limitations for finding employees with specific kind and level of qualifications. Zrenjanin

