Serbian government reshuffled in preparation for assault on workers' conditions

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The Serbian government was reshuffled last week in preparation for an assault on jobs, wages and pensions demanded by the European Union (EU) and the International Monetary Fund (IMF).

In early 2012, the IMF suspended a $1.3 billion loan to Serbia over delays to "structural reforms" and spending cuts. Since then, the IMF and EU have repeatedly warned that further support is dependent on cuts to the public sector and the pension system.

Other demands include "rigorous wage and employment policies" to end the "highly rigid and protected labour market"; acceleration of the privatisation programme; a strict limit on subsidies, particularly to agriculture; "targeting", i.e., reducing, welfare benefits; increases to VAT and higher utility charges; and removing "excessive regulations" on businesses.

The Fiscal Council of Serbia—a three-member body appointed by parliament to monitor budget compliance—has parroted the IMF/EU demands. Council Chairman Pavle Petrovic declared, "Significant savings in 2013 and 2014 are impossible without control of salaries and pensions. … The IMF said we have to freeze salaries in the public sector and drastically cut down expenditures…"

Seven of the 18 ministers in the new cabinet will be non-party technocrats. The three ministers belonging to the smallest party in the coalition, the United Regions of Serbia (URS), were ousted in the reshuffle, including Finance and Economy Minister Mladjan Dinkic. The URS, a group of economists and technocrats, has been part of every government since 2000, slavishly following IMF/EU dictates. They have been made the scapegoats for what First Deputy Prime Minister Aleksandar Vucic called the country's "nightmare" economic situation.

Serbia went back into recession in 2012 and ended the year with the public debt at 62 percent of gross domestic product (GDP), well above the legal ceiling of 45 percent. The budget deficit could end up as high as 8 percent of GDP this year, compared to the target of 3.6 percent. Despite years of IMF economic "consolidation" measures in Serbia, the 2013 World Economic Forum report on global competitiveness, which ranks 148 countries, showed Serbia falling six places last year to 101st, its worst ever result.

In the reshuffle, Dinkic's ministerial post was split in two, with 28-year-old Yale-educated Lazar Krstic leaving global consultancy firm McKinsey to become finance minister and consultant Sasa Radulovic, who has also studied and worked in the US, taking over as economy minister.

Krstic said he intended to introduce a "comprehensive" reform of the public sector and tax system, to "reduce, mostly eliminate, subsidies" for well over 100 loss-making state firms and "aggressively" tackle red tape so as to secure a new loan deal with the IMF. "We need to fix our house", Krstic declared "We're at the point where we have very little manoeuvering space. … There is an awareness and an agreement that … we're at the point that we really need to do something serious to get the economy back on track and make it sustainable in the long term."

It is a sign of the deep crisis in the country that the reshuffle comes just one year after elections led to the formation of a coalition government comprising the Serbian Progressive Party (SNS), the Socialist Party (SPS) and the URS. Having won 73, 44 and 14 parliamentary seats, respectively, they commanded a narrow 131 majority in the 250-seat parliament.

There was some initial concern within European ruling circles over the formation of an SNS-SPS coalition and the defeat of the openly pro-EU, pro-US Democratic Party, led by Boris Tadic. The SNS had split only in 2008 from the ultra-nationalist Radicals, led by Vojislav Seselj, now on trial at the International Criminal Tribunal in The Hague. The SPS is the direct successor to the League of Communists of Serbia, the official Stalinist party formerly led by Slobodan Milosevic.

However, under Seselj's right-hand man, Tomislav Nikolic (now Serbian president), and Milosevic's right-hand man, Ivica Dacic (now Serbian prime minister), the SNS and SPS have moderated their rhetoric, particularly over opposition to Kosovan independence from Serbia, and pursued a pro-EU policy.

In April 2013, the Serbian government approved an EU-brokered deal normalising relations with Kosovo. The agreement was called "historic" by European Commission President José Manuel Barroso. It cleared away the final obstacles to Serbia's accession into the EU, and the first conference is planned to be held by January 2014.

In June, the government adopted a package of new "painful but necessary'' austerity measures that included many of the IMF/EU demands, including slashing government expenditure by 40 percent, a "radical" structural reform of public services, and a new labour law.

These new measures will devastate the living standards of workers already amongst the most impoverished in Europe. Unemployment in Serbia is currently at 27 percent (much higher amongst young people), average salaries are a paltry €370 a month, and the minimum wage is €188—less than that in China.

At the same time, the cost of living has spiralled. Since May 2012, the increase in food prices has been almost 13 percent. In August, the price of electricity increased by around 11 percent for households, and the price of gas increased this month by 4.4 percent. About 10 percent of the Serbian population of 7,260,000 is below the poverty line, living on a monthly income of less than €80.

In the midst of such misery, some have done well. Serbia is the top destination for foreign direct investment in the Balkans, receiving $10 billion in 2007-2012—a quarter of the total—exceeding even EU members Bulgaria and Romania. Fiat has moved a large share of its production from Italy, citing low wages, well educated workers, generous tax incentives and, uniquely, free trade agreements with both the EU and Russia. Panasonic has set up a plant 110 kilometres from Belgrade, with its director Dirk Bantel explaining that Serbia offers a huge cost advantage over Germany, the destination of the factory's total output.

Of central importance to the ruling elite have been the trade unions, whose role has been to disorient and disarm the working class.

Confederation of Autonomous Trade Unions of Serbia (CATUS) President Ljubisav Orbovic points to the dictatorial nature of the new measures, declaring that "social dialogue … is now non-existent", but his answer is, "… for the time being, it is too early to say what steps the union would take."

Orbovic says labour reforms are not necessary because, "Up to now, there hasn't been any obstacle to dismissals, and this can be verified by the fact that in the last couple of years, 500,000 jobs were lost". He advises, "When it comes to enterprises in restructuring, those which can't recover should be shut down, and those which are able to get back on their feet should be supported with a little help."