Serbian Parliament passes labour reforms

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Last year, the International Monetary Fund (IMF) made clear that if Serbia wanted a new, desperately needed financial agreement it had to undertake "ambitious fiscal consolidation" and impose "wide-ranging structural reforms." Four long-delayed laws relating to labour, bankruptcy, privatisation and planning demanded by the World Bank had to be passed.

The IMF insisted the reforms were needed to deal with Serbia's disastrous economic situation. The country is facing a third recession in five years. Official unemployment has risen to nearly 25 percent and is above 50 percent for youth while the average monthly wage remains extremely low at about €380 (US$515).

The country's economic output (GDP) fell 1.7 percent in 2012 and is projected to grow only minimally in the next several years. The budget deficit at 8.7 percent of GDP is the highest in Europe and public debt is set to rise above 70 percent of GDP by 2015—well above the 40 percent legal cap. Interest rates are at 8.5 percent, while inflation is at a record low of 1.3 percent.

A new Progressive Party (SNS) government was installed in April after receiving a landslide victory. Prime Minister Aleksandar Vucic declared, "I expect we will pass key laws, including the labour law, the bankruptcy law, the privatisation law and the law on building permits by the end of June or mid-July."

Talks began with the IMF on a three-year precautionary loan agreement to be finalised by the end of the year.

On July 18, the Serbian Parliament approved a new labour law, making it easier for employers to sack staff by reducing payments for statutory redundancy, sick leave and holidays and altering the duration of fixed-term contracts. Salaries and working hours will no longer have to be stipulated in employment contracts. There are also changes to the way collective agreements are operated. The pension law was also changed to increase the retirement age for women from 60 to 65.

Parliament is set to debate the privatisation and bankruptcy laws by the end of the month. The government plans to close down or privatise more than 550 state-owned companies by the end of 2016.

Following the vote in parliament, Vucic declared that "despite all the pressure and protests… Serbia has finally and actually started the process of economic reform" after being delayed for what seemed like "centuries".

However, the reforms were not radical enough for Finance Minister Lazar Krstic who promptly resigned. Krstic, 29, a Yale University graduate and former McKinsey manager had wanted a minimum 20 percent cut in pensions, a 15 percent cut in public wages, 160,000 layoffs in the public sector over two years and a 30 percent increase in electricity prices.

Krstic's replacement, Dusan Vujovic, a former World Bank economist who managed a $4 billion programme in Ukraine, said that while his predecessor's approach would have had financial benefits they "may not always be politically and socially feasible."

"I would like to broaden the policy consultation and coordination framework, and bring together key stakeholders representing different groups that will have to absorb the burden of reforms in the coming two to three years, or face bleak prospects in many years to come," he said, before adding that he will still keep Krstic as an adviser.

The key stakeholders Vujovic referred to are the unions, who have called for "partnership and tripartite social dialogue" as "a prerequisite for democratisation of society, for integration of Serbia into European processes and for the least painful survival of the transition process" to a full market economy.

On the day the labour reforms were being debated, the unions held a protest outside parliament under the slogan "Against Vucic's Reforms with All Our Might."

The heavily-orchestrated protest only underscored the lack of support for the unions and their hangers-on. The United Branch Trade Unions (UGS) executive secretary, Zlata Zec, had predicted a turnout of "more than 10,000" but all the reports put the participation at around 4,000.

At the protest, Alliance of Independent Unions of Serbia (SSSS) President Ljubisav Orbovic insisted the unions "are for reforms," but cynically added that these should not come at the expense of the employees. The union bureaucrats are now channelling the widespread dissatisfaction into a petition to force a referendum on certain clauses in the reforms, particularly those relating to changes to collective agreements, which will sideline the unions and threaten their own privileges. Under the new law collective agreements will only apply to firms run by members of the Union of Employers, which covers only about 5 percent of the total number of employers.

The protest had the full support of the Serbian and regional pseudo-left groups, which concentrated their fire on the "neo-liberal agenda" of the government. The state capitalist Marks 21, which split from the International Socialist Tendency last year, admitted on its web site that for the unions "the strike is a negotiating tactic, with the goal of returning to the negotiating table," but then make the absurd contradiction they are leading a "tepid but determined [!] fight."

Marks21 claim it is impossible to build a movement independent of the trade unions because they are "massive organizations of the working class, the only ones in Serbia with the weight and membership capable of putting up coordinated struggle throughout the country."

Elsewhere, Marks21 member Pavle Ilic covers for the bureaucracy, writing, "it would be short-sighted, and slightly conspiracy-theorist to state that the trade union leadership is frightened of releasing the spirit of mass mobilisation." Ilic argues, "The fact of the matter is that they lack the know-how, the political will, and the structural flexibility of conducting a reasonable and effective political action that would include a large number of trade union members."

Therefore, Ilic concludes, the first action of the Left Summit, a recently created "broad front" involving Marks21 and other pseudo-left groups, some smaller trade unions and various "citizen initiatives," must be to use its "organisational skills and mobilisation capabilities" to reinvigorate the "rank and file." Their pressure, Ilic asserts, will mean "the opportunities for the labour aristocracy to betray working class interests" will be "lesser and more limited."