



euTalent

Business in Europe Hosting Apprenticeships for Youth

National Policy Recommendation Report

Identification and removal of policy obstacles to engage SMEs



Supporting SMEs to offer more and better quality apprenticeships

Introduction- National context/ background

- Introduction explaining the importance in your national economy of SMEs
- Presenting some data on the number of SMEs and apprenticeships
- Presenting the key points of the legislation/policy framework regarding apprenticeships in SMEs

Small and medium-sized enterprises (SMEs) make up to 99.9% of business entities in Serbia with 837.5 thousand employees and participate with more than one third in the gross domestic product. According to report compiled by the Ministry of Economy, this sector in Serbia included total of 340.112 enterprises in 2016, thus employing 41.7% of the total employment rate¹. Bearing in mind these indicators, it is clear that the role of SMEs in involving young people in labour market is very important.

As a key factor in the Serbian economy, SMEs are able to involve young people in different ways in their companies, thus helping them to overcome challenges and find employment in accordance with the obtained education degree. Apprenticeship programs are one of the most common ways to involve young people in companies' daily business tasks.

Apprenticeship programs play an important role in development and improvement of young people who, in addition to formal education, need to develop practical skills in order to successfully position themselves in contemporary economy.

Research conducted by the Responsible Business Forum in Serbia shows that a large number of small and medium enterprises have some form of professional development programs for youth which involve students and graduates in their everyday business activities and processes. However, the quality of such programs can differ, depending on the company, and could be one of the biggest challenges that SME sector should strive to overcome in the future.

The Ministry of Labour, Employment, Veterans' Affairs and Social Affairs together with the Labour Law regulates this field of business. The Law recognizes two forms of contract for the

¹ Ministry of Economy, *Report on Small and Medium-sized Enterprises and Entrepreneurship 2016*, downloaded from: http://privreda.gov.rs/wp-content/uploads/2017/11/MSPP_izvestaj_2016.pdf, date: 07/03/2018

² Labour Law, clause 201.

regulation of professional practices: the Contract on Professional Development and the Contract on Professional Specialization.

Contract on Professional Development "may be concluded for the purpose of performing an internship or passing a professional examination, when this is prescribed by law, that is, by a rulebook as a special condition for independent work in the profession."² The law differentiates the Contract on Professional Specialization that "can be concluded, for the purpose of professional development and acquisition of special knowledge and skills for work in the profession, or performing specialization, during the time determined by the training program, that is, specialization, in accordance with a special regulation"³.

In reality it is difficult to make a difference between these two forms when engaging apprentices. Following the Law, the employers could find themselves asking which type of contract should be applied in a particular situation.

However, last year the National Assembly of Serbia adopted the Law on Vocational Education and Training which will be implemented in high schools in Serbia through combination of theoretical and practical learning model in companies that fulfilled the requirements for becoming a part of this project. So far 200 companies already met those terms. The law will start being implemented beginning with the school year 2019/2020. This is the first Law which will address exclusively the field of apprenticeships and represents a step forward of further regulations gaining practical knowledge during studying.

The beginnings of the implementation of this educational model had started in 2013, when the German Organization for International Cooperation (GIZ) launched a program of reforms that implied the introduction of VET model in the education system in order to solve the problem of unskilled youth and insufficient youthful employability.

It is prescribed that students have the right of receiving a monthly compensation for learning through work in the net amount of at least 70% of the minimum price of labour, paid by the employer.⁴ Also, students have obligations to accomplish their work assignments. The Law also defines amount of learning through work which represent 20-80% of the total number of vocational subject classes. Learning through work is realized in the period of 8:00am through 8:00pm during one school year, for no longer than six hours a day, that is, 30 hours a week, at one or more companies⁵.

This Law is planned to be put in force beginning with the next school year, and the violation of it is subject to penalties of 5,000 to 100,000 dinars.

³ Ibid

⁴ The Law on Dual Education, clause 34.

⁵ Ibid, clause 6

Challenges



1. SMEs **lack information on the benefits** for providing apprenticeships

Other than apprentices who have the opportunity to gain very useful skills and learn practical tasks through their day-to-day professional engagement, companies also have the chance to improve their business. Firstly, company employees get an opportunity to develop and improve their mentoring skills through daily work with young people and share their knowledge and experience towards the empowerment of apprentices. In this way, they also have the opportunity to gain new experiences and utmost improve their managerial skills. However, many companies do not see positive effects, but rather focus on the potential challenges they face when implementing programs for young people. Daily training of apprentices involves additional effort that the employees invest in doing their job, so in addition to regular activities, this could be often perceived as an additional obligation to everyday tasks. Even then it may seem challenging, especially if there is insufficient knowledge about the need for constant professional development and learning.

Except mentors, who develop additional skills by training their mentees, the company itself can experience the positive effects that are reflected in making quality future employees in line with the company's needs, identity and culture. Therefore, apprenticeships are not just a form where students benefit from developing new knowledge, while companies invest their resources, but rather a symbiotic relationship that can equally develop and improve business and companies' personnel.

2. SMEs **lack resources, network and structure to provide and access apprenticeships**

According to the latest survey, the number of implemented apprenticeship programmes in the SME sector is increasing, however, the quality of such programs is not always at an adequate level. It is unfortunate that employees who have been assigned mentoring duties do not have the time to instruct apprentices in the jobs they perform in a quality way, and young people spend some time in companies, while learning very little new things.

For these reasons, it is very important to take into account amount of time that mentors should spend in guiding apprenticeships so it does not interfere with their regular tasks which could lead

to potential loss of productivity and motivation. Another thing is that companies should put their mind-set in seeing apprentices as potential prospective employees and structure the training model with an opportunity for contract proposal for those who successfully mastered desirable business skills and demonstrated ability for high quality and on time task delivery.

3. SMEs have **little experience with providing quality apprenticeships**

The quality of apprenticeships, or the lack of quality in their implementation, is largely reflected in the lack of experience of small and medium enterprises in this field. They usually try to stick to the law, since, in most cases those are family businesses who do not have many employees, and as a result do not have enough time to structure a creative apprenticeship program.

Due to the difficulty of understanding the law, there were direct questions from employers to the appropriate ministry in regard to eliminate concerns about the legal regulation of professional development programs. In several cases the issue concerns the legal regulation of professional practice and which contract to apply in specific situation.

Given that there are two types of contracts that the employer can conclude with the intern when organizing an apprenticeship program, the question arises as to how to decide which is more appropriate to apply in practical terms. The question was sent to The Ministry of Labour, Employment, Veterans' Affairs and Social Affairs, and a response came in two occasions where the first document draws a clear distinction between professional development contract and professional specialization contract, while in the second Ministry's states that it is "possible" that this is a unique contract instead of two different ones.

Based on published data and the inability to obtain a unique response from the authority, it is clear that employers and representatives of small and medium-sized enterprises could be in a very difficult position in an attempt to place their programs within this unclear legal framework. In addition to those legal constraints, employers also face a number of other practical difficulties in finding the appropriate personnel for the various activities they perform.

Activities

1. Explanation of activities organized to **build the business case for providing apprenticeships** (online communication campaign + raising awareness activities) and the results

In order to explain activities organized to raise awareness about importance of providing apprenticeship programs within SME sector, Responsible Business Forum has conducted:

- Three stakeholder meetings;
- Four webinars on different topics;
- Communication with representatives of SMEs and collection of ten examples of best practices;
- Social networking – online communication campaign conducted via posts on social media about good practices and promoting quality apprenticeship programs for students.

These activities contributed to building of learning network with more than 100 small and medium enterprises. Also, overall reach on major social media networks went above 4000 users. All of this rose importance of apprenticeships, and in the same time, awareness of the practical professional development among young people that is becoming more and more significant.

Throughout communication with representatives of SMEs during collection of best practices examples, Responsible Business Forum has learned what are the main reasons and advantages for those entrepreneurs who have implemented apprenticeship programs in their business strategy. Most of them tend to implement strategy of socially responsible business and within it to contribute to the reduction of youth unemployment on a local community level. Having those reasons as the main focus while making profit, companies are offering students the opportunity to apply acquired theoretical knowledge and to learn something new through the various programs organized by the company members.

Organizing activities to raise awareness in the society about the need to implement quality apprenticeship programs are crucial, and benefits are mutual, for both interns and employers. In addition to the non-governmental sector, the state should play a major role in such activities.

2. Explanation of the activities and impact of the activities related to the **learning network** (stakeholder's meetings, national workshop, webinars, and online platform).

First stakeholder's meeting was organized in Belgrade on December 8, 2016, with the aim to discuss current conditions regarding apprenticeships in SMEs and to identify good practices and obstacles. The meeting was attended by 40 participants (SMEs, large companies, associations, VET schools, relevant public institutions). It was concluded that one of the major challenges for the SMEs in Serbia regarding the subject is allocation of time and resources (for defining learning and skill development goals, mentoring and evaluation), as well as the legal framework which is not favourable or even conclusive enough in this area (contracting issues, work safety insurance, etc.). Both SMEs and schools expressed "high hopes" regarding these issues in the Law about vocational education and training to be adopted in 2017, which should regulate identified concerns.

Second stakeholder meeting was organized in Belgrade on December 7, 2017, with the aim to host discussion about Youth Employability through support of Entrepreneurship, Apprenticeships and Special Programs. The meeting was attended by 49 participants from different companies, associations and relevant public institutions. The most important conclusions were addressing the

lack of support from relevant institutions in the country to the SMEs and as well the lack of the resources for conducting quality apprenticeships.

Webinars were also organized as a way to raise awareness of necessity for quality apprenticeship programs among SME sector in Serbia. RFB conducted four different webinars in order to reach to as many companies as possible who are willing to represent and exchange experience about importance for reduction of youth unemployment.

First webinar on the topic “*Apprenticeship programs*“ was held on November 3, 2017 in Belgrade with the aim to discuss about tackling challenges of organizing apprenticeship programs in Serbia. RBF company members' presented their experiences with apprenticeship programs and shared obstacles they faced in the process. All attendees learned how challenging can be to organize a program such as apprenticeships, especially having in mind Law obstacles for defining the contracts with students. Therefore, the importance for youth to gain practical knowledge was also emphasized. For that reason, all stakeholders should agree to fight for overcoming possible obstacles that would lead to setting the better environment in which eases the organization quality programs.

Second webinar was on topic „*Online assessment tool for improvement of apprenticeship programs*“ organized on February 20, 2017. The aim of this meeting was to introduce online assesment tool to representatives of SMEs and expalin its importance for selfevaluation of apprenticeships quality. This online tool is very useful and helps companies exchange experience and gives excellent introspective in the quality of realized activities. There were 13 participants from different stakeholder groups.

After that, next webinar was organized on May 11, 2018 that addressed the topic “*Apprenticeships and VET in Small and Medium-sized Companies*”, in order to introduce SMEs with the basic principles of VET, new law regulation and need for its implementation in Serbian educational system. Fifteen participants joined this meeting and have discussed about strengthens and possible challenges regarding implementation of Law on VET. The main conclusion was that there is a significant demand on labor market for high school students to be introduced with practical work experience at that age which would help them gain basic skills before starting an official career.

The last webinar was about “*Legal framework for establishing a quality program of professional practices in SMEs*” and had been organized on June 5, 2018. This meeting was attended by 9 participants and representatives of SME sector. The main discussion was about potential legal challenges that entrepreneurs might encounter in order to prepare appropriate contract with hired

students selected to attend apprenticeship programs. Participants have also offered practical advices and ways to cope with this kind of challenges and shared their different experiences and perspective on organizing apprenticeship activities.

3. Explanation of the activities and main findings in terms of improvement of the quality of the apprenticeships regarding the actions taken by the SMEs **after having done the test** (Soft Engagement Partners + High Engagement Partners).

Promotion and collection of answers to online assessment tool was at some point challenging since the sensitive issue of the foggy legal framework is preventing many of them to share experience or use the assessment tool. Most of them who took the test, have already had a long term apprenticeship programs, and found interesting to compare their programs with other peers. Bearing in mind the structure of SMEs that have benchmarked their apprenticeship programs, they are going to use report mostly as a comparison but it is tough to predict at this point, if and how will they use it as a guidance for further program improvement. It is interesting that large companies were majorly interested in taking the tool, which is reasonable, since those are entities equipped with sufficient personnel and other resources, and thus have advantage comparing to SMEs. Sustainability of tool usage and promotion will be achieved through close partnership with Union of Employers who will make sure that the online assessment tool is used by SMEs in Serbia after the project completion.

Policy Recommendations



1. Cooperation of partners from different sectors and departments in terms of exchange of good practices and experiences between different stakeholders is a priority. No institution can find the comprehensive solution by itself, which is why cooperation between institutions and subjects in the labour market is crucial for implementing successful measures and organizing a good apprenticeship program that will help young people adopt basic business skills and principles.
2. Improving the productivity of existing public institutions and programs is very important, primarily the system and capacity of the National Employment Service, to help young people find their place in the labour market.
3. Political support and commitment to young people can be demonstrated mainly through the funding of various programs which will engage youth to acquire practical knowledge and skills. It is necessary for a particular institution to take responsibility for monitoring in order to constantly be aware of the results of these programs. This is very powerful tool in process of improving practices and setting them on the higher level. It is very important

that there is no lack of financial support from the state to help small and medium-sized enterprises and encourage programs of professional development practice.

Conclusions

Key learnings, challenges, and solutions proposed

The cooperation of public institutions with civil society organizations is very important, especially for those civil society organizations whose main focus is on improving youth employment policies. Those organizations often conduct various programs for improving position of young people and provide them with the opportunity to acquire skills before entering the labour market.

There is a need for government decentralization in order for policies to be implemented at the local level, which would lead to more proactive approach in terms of communication and coordination with small firms and local entrepreneurs. This opens up the possibility for the improvement of existing measures and small employers can show the interest in participating in the implementation of professional programs for development of young people.

Investing in youth development and providing support through various programs of professional practice involve renunciation of certain funds and fiscal expenditure. However, it should be perceived as an investment that will have its return after certain period of time. Likewise, the investment of newly established companies in youth and their development could represent the cost to the company at the moment, but provide them professional and tailor made workforce in the long run.

An additional challenge faced by small and medium-sized enterprises is how to achieve quality mentoring, given most cases they have staff shortage, and it is difficult to bring together regular business obligations, while providing quality training to apprentices. This should not be an obstacle because when evaluating the program of professional practice, quality is a decisive factor that is measured through acquired knowledge and skills of young people and their positioning in the labour market.

Some other conclusions and remarks:

- The state should give incentives to the SME sector in order to improve the conditions and help companies reach young people and staff more easily in line with the activities they perform;
- Need for providing financial stimuluses for enterprises in order to organize as high quality programs for young people as possible;
- Cooperation between the state, business sector and educational institutions: in promoting employability and inclusion of young people in a more efficient manner;

- It should be pointed out that the state was giving incentives to companies to engage them in the development of VET through the accreditation of instructors of practical teaching from the company as a teacher. However, financial incentives were completely absent on this occasion. Although vocational education and training was recognized as necessary in the education of high-quality workforce, it did not prove to be sustainable in the educational system of Serbia. Namely, the disparity of theory and practice remains to be present in Serbia's educational system and it is the main obstacle for the quality positioning of young people in the labour market.