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SERBIA: EMPLOYMENT

Decision on Extended Application of the General Collective Agreement
(Odluka o proširenom dejstvu Opšteg kolektivnog ugovora)

The Serbian Minister of Labor and Social Policy rendered on 6 November 2008 the Decision on Extended Application of the General Collective Agreement, stipulating that all Serbian employers (except for those paying minimum wage to their employees), and not only those who are members of the Employers' Union, must adhere to the General Collective Agreement signed earlier this year (*Opšti kolektivni ugovor*, "Službeni glasnik RS" No. 50/08). The principal novelties introduced by the GCA, when compared to the Labor Law, are set out below.

Mandatory payments The Labor Law provides for the obligation of each employer to pay to its employees meal and holiday allowances, however, without setting the minimum amount of those payments. The GCA fills-in this gap by prescribing that:

- (i) food allowance shall be no less than 15% of the amount of average salary in Serbia (in September 2008, the average salary amounted to RSD 32.969,00 (approx. EUR 400);
- (ii) holiday allowance shall be no less than 75% of the amount of average salary in Serbia.

Increased compensations The GCA slightly increases certain payments guaranteed by the Labor Law, namely:

- (i) for work during a public holiday – 120% of basic salary, compared with 110% under the Labor Law;
- (ii) for work in night shifts– 30% of basic salary, compared with 26% under the Labor Law;
- (iii) for years of employment – 0,5% of basic salary for each year of employment, compared with 0,4% under the Labor Law.

Minimum salary The GCA specifies that minimum salary may be stipulated in an annex to the employment agreement only in the event the employer company is undergoing financial hardship. Minimum salary may be paid for a maximum period of 6 months within a calendar year. The employer is obliged to compensate the employees for the difference between the minimum salary and the regular salary within 9 months following the last month in which the minimum salary was paid.

Severance payment The minimum severance payment in case of redundancy prescribed by the Labor Law is 1/3 of the employee's average salary earned in the course of a 3-month period preceding the dismissal per each year of employment for the first 10 years of employment, and 1/4 of the employee's average salary for each year above the 10-year threshold. The GCA changes this regime by stipulating that the redundant employee is entitled to 1/3 of his average salary earned in the course of a 3-month period preceding the dismissal, but in any case no less than 50% of the average salary in Serbia, for each year of employment (even if the total number of years of employment is more than 10).

Paid leave The Labor Law provides that employees are entitled to 7 work days of paid leave and specifies the reason for which paid leave may be used. However, the law does not go further to prescribe the maximum number of days associated with each particular reason. The GCA rectifies this by specifying that, for example, an employee's wedding triggers 3 days of paid leave, childbirth 5 days, serious illness of an immediate family member 7 days, etc.

Insurance The GCA provides that the employer must insure all employees against the risks of death, work-related injury and work-related disability.

Prevention of invalidity The employer is obliged to set aside at least 0,15% of the total monthly payroll cost for the purpose of prevention of invalidity and recreation of employees.

Incompetence The GCA prescribes the procedure for determination of an employee's incompetence by the employer. The procedure is initiated by the employee's immediate superior who may request from the managing director to establish a committee with the task to evaluate the competence of the employee in question. The employment relationship may subsequently be terminated for reason of incompetence only if the incompetence is confirmed by the committee mentioned above.

Rights of Trade Unions The employer is obliged to furnish to the respective Trade Union, free of charge, adequate office space and a company car for the purpose of attending Trade Union's meetings, seminars and similar events and to take up the expenses in connection with those activities. The employer is also obliged to withhold membership fee from employees' salaries and transfer them to the Trade Union's account.

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