

Consultancy Work In Serbia

March 2007

by Sally Reynolds

This trip was organised as part of a European funded project led by the Zrenjanin Chambers of Commerce, in which Social Firms UK was asked to be a consultant. This consultancy comprised of 10 days paid work at 200 Euros/day; as this was a limit imposed by EU regulation in Serbia, Social Firms UK was able to negotiate to only do 3 days work in Serbia for 2,000 Euros although the log for EU purposes reflects 10 days.

I was asked to go and speak at two main sessions in Zrenjanin; one on 29th March, the other on 30th March. The EU project is about development of a trademark for what looks equivalent to the supported business sector in the UK – 61 factories in total employing disabled people in Serbia. Their representative body is UIPs (the equivalent to BASE?), who were also very keen to speak to me about how they can develop their membership services.

The seminar on 29th March was recorded and broadcast on regional television that evening, apparently, and I was also interviewed for local radio. There was a fairly broad audience on the 29th and the presentation took approx. 45 minutes (including time for translation). I attempted to give a broad overview of Social Firms and how they sit within the context of disability employment services in the UK, as well as an introduction to the supported business sector and how sheltered work is now being regarded currently. Information on the DDA and Employers Forum on Disability was also shared.

Following the seminar there was a long lunch, during which people took turns to sit opposite/next to me to continue their line of questioning. I also learnt a lot about the situation, which is pretty harsh, in Zrenjanin and the rest of Serbia:

- Zrenjanin currently has a 50% unemployment rate
- Some of the factories have not been able to pay their staff for up to 15 months and apparently it has been quite common during this period of what they call 'transition' to not be paid at all
- They said they have a national minimum wage, but it seems that nobody is adhering to it because they simply don't have the money to pay for it – I was told that a good wage is 300 Euros per month full time but many businesses are only paying what they can
- There are 61 sheltered factories in Serbia; people are not moving through them because there are no employers wanting to employ them on the other side – there is currently a draft law on disability discrimination and they're also considering quota systems
- Many of the factories employ more than 200 disabled people
- I was told that there is no part time work and even people with disabilities are expected to work full time; I'm slightly sceptical of this information which came towards the end of the trip, but wouldn't know who to ask to check it out
- Someone in the group seemed surprised that we include mental health problems as a disability – he said that would never work in Serbia because everybody's depressed!

On the morning of the 30th, before the second seminar presentation, I was taken to visit a shoe factory in Zrenjanin called 'Stil'. This shoe factory is managed by a lady called Maja – she studied economics and her first job on leaving university was as their commercial director. She did this for about 7 years and then left to work in the private sector. Four years ago, when the previous manager moved on, Stil asked Maja to return as Manager. Within this period of time, she's really turned the factory around:

- in 2003 shoe production was at 15,000 pairs per month; this is now at 45,000 pairs per month, with absolutely no new equipment or investment in systems etc. – she attributes this growth to her investment in the people;
- in 2007 she's been able to buy some new machinery which will increase shoe production to 60,000 pairs per month (with no increase in staff numbers);
- she's been able to pay off debts of 400,000 Euros
- she employs a total of 120 people, 70 of whom are disabled; 90 of these staff are in production;
- annual turnover currently stands at approx. 8m Euros;
- staff are paid on average 120 Euros/month, which is apparently twice as much as is normal within the shoe manufacturing industry;
- staff also get company transport and health costs covered by Stil;
- by the end of 2007 Maja is hoping to be able to increase staff salaries by up to 50%;
- 50% of shoe production is exported.

Stil belongs to the state, in that the land it is on and the premises it occupies are state-owned. Maja reports to an independent management committee, however, and in every other sense it is very much managed and controlled by the staff within it. At a time when Serbia is considering 'privatisation' of its sheltered factories, Stil is one that apparently might just be kept as a state-owned entity because of its efficient and effective management operation. Either way, Maja is not concerned about the future position of the state as Stil is now in a very good position to face the future independently of state subsidy or control.

Picture of the production line in Stil's factory:



After the visit to Stil, I did a three-hour session with 20 of the supported business managers, representatives from UIPs and Zrenjanin Chambers of Commerce. Some of the issues that came up during this session included:

- it is time to start addressing issues of firms employing disabled people in Serbia
- the objective of the Zrenjanin project is to develop enterprise and entrepreneurship
- the supported businesses need to improve their competitiveness in the marketplace
- it is hoped that, by improving the efficiency and market position/income of the factories that more disabled people can be employed
- there are significant problems attracting employers to employ disabled people when unemployment levels are so high already
- the supported businesses in Serbia were founded after the 2nd World War as an idea to employ disabled people
- these factories were initially set up for specific disabilities (e.g. deaf, blind etc.) and later got mixed together
- each factory has to employ a minimum of 40% disabled people
- UIPs has been going for 40 years and claims to have a good relationship with the ministries to find the most favourable solution
- They are hoping for a lower tax rate for supported businesses
- They also want the trademark to bring fiscal benefits
- Before the presentation they hadn't known about EU Procurement Directive Article 19 and access to reserved contracts is of considerable interest and relevance to them right now
- While the representative from UIPs acknowledged that the model of Social Firms is different to the one that's operating in Serbia currently, he believes that this is what the factories should aspire to become and valued the sharing of our experiences.

Actions arising out of the trip included:

- request for work with one particular factory in Belgrade
- information about the DDA and in particular the definition of 'disabled'
- information about the supported business sector in the UK and how it's facing up to change
- more information about Social Firms