Firstly, there needs to be a shift in the collective bargaining process. For now, it has been driven by the public sector trade unions, which are much more powerful than their private sector counterparts. The resulting wage leadership by the public sector – with high and often unjustified wage increases – has hurt Serbia's export competitiveness and private sector growth.

Secondly, there should be an effort to reduce excessive legislative rigidities in the Serbian labour market. This in particular concerns the calculation of severance benefits, which are based on the entire working history of an individual, rather than on their record with the last employer. Serbia is very atypical in this respect compared to its regional peers, and this is a reason why older people have scarce opportunities in the labour market. Another important rigidity is the length of fixed-term contracts, which, at 1 year, is lower in Serbia than in much of Eastern Europe. Furthermore, there have been attempts to unduly broaden collective bargaining agreements to firms that were not party to the negotiations. An important rigidity are various mandatory allowances and rules (relating to holidays, business trips, meals etc.), which could be usefully streamlined.

Thirdly, taxation of labour, especially via social contributions, should be analyzed with a view to increasing incentives for employment. This could take the form of a revenue-neutral reform envisioning a reduction in direct taxes. In Serbia, the high social contributions have particularly reduced scope for hiring low-income workers, especially the young, who badly need experience to begin their careers. Young workers are potentially the most dynamic – and hence productive – elements of any economy, and a failure to involve them in the labour market severely dampens growth potential.