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ECONOMIC CAUSES OF SOCIAL CONFLICTS IN SERBIA AND INSTITUTIONAL REGULATION

Summary

This paper analyzes the economic causes of social conflicts in Serbia, with particular emphasis on the role of institutional regulation in their emergence and mitigation. Drawing on theoretical approaches that link economic imbalances with social instability, this paper examines how prolonged structural adjustments, unequal income distribution, regional disparities, and labor market insecurity create a foundation for various forms of social conflict. Special attention is devoted to the analysis of concrete examples from the contemporary context of the Serbian economy, including workers' strikes, resistance to privatization processes, local protests against public and infrastructure investments, as well as tensions triggered by reforms of the social welfare and pension systems. The second part of this paper discusses the role of formal institutions – namely, the state, social dialogue mechanisms, regulatory bodies, and the legal framework – in managing economic conflicts and channeling social discontent. The aim of this paper is to demonstrate that the intensity and persistence of social conflicts largely depend on the capacity of institutions to recognize economic conflicts in a timely manner and to articulate them institutionally, thereby reducing the risk of social polarization.

Keywords: social conflicts, economic inequality, structural reforms, institutional regulation, Serbia.

1. INTRODUCTION

Social conflicts represent an inevitable and constitutive element of contemporary societies, particularly in the context of economic transformations and institutional change. Although they are often viewed as a consequence of political or cultural divisions, a significant body of literature suggests that their roots lie in economic imbalances and the unequal distribution of resources. In this regard, economic factors – such as income, employment, social security, and regional development – arguably play a key role in generating and intensifying social tensions.

In post-socialist economies, including Serbia, this relationship between economic processes and social conflicts is further amplified by the profound structural changes that have marked the transition period. Privatization, economic restructuring, market liberalization, and fiscal consolidation have led to significant shifts in the distribution of economic resources and social risks. While these reforms were aimed at increasing efficiency and fostering long-term economic growth, they have also generated considerable social costs, which have often manifested in various forms of social discontent and conflict. In this context, social conflicts in Serbia should not be understood as isolated events, but rather as symptoms of deeper economic imbalances and institutional constraints. Labor strikes, protests against privatization, local resistance to infrastructure projects, as well as tensions related to social and pension reforms, point to structural problems in the way economic changes are implemented and socially articulated. These conflicts frequently arise in situations where economic losses are unevenly distributed and where mechanisms for their mitigation or compensation remain insufficiently developed.

Institutions play a particularly important role in this process. They not only shape economic incentives and the “rules of the game”, but also serve as key mechanisms for channeling and managing social conflicts. **Effective institutions enable the articulation of interests, mediate conflicts, and reduce the likelihood of their escalation, while weak or dysfunctional institutions contribute to deepening mistrust and social polarization.** In this sense, institutional regulation functions not only as a reactive mechanism but also as a preventive framework that can influence the very emergence of conflicts.

Building on these assumptions, this paper aims to examine the economic causes of social conflicts in Serbia and to analyze the role of institutional regulation in their emergence and mitigation. Particular attention is devoted to identifying the key economic factors that generate conflicts, as well as to analyzing the capacity of

institutions to recognize, articulate, and channel these conflicts. The central argument of the paper is that the intensity and persistence of social conflicts largely depend on the ability of the institutional framework to transform economic imbalances into manageable and institutionally regulated processes, thereby reducing the risk of social destabilization.

2. ECONOMY, SOCIAL CONFLICTS AND THE ROLE OF INSTITUTIONS: A THEORETICAL FRAMEWORK

Within contemporary theories of social conflict, a prominent position is occupied by the functionalist approach of Lewis Coser, which seeks to move beyond the dominant view of conflict as an exclusively destructive phenomenon. Specifically, Coser argues that social conflicts are not merely a source of destabilization, but can also perform important integrative and adaptive functions within social systems. In this sense, social conflict is defined as a struggle over values, status, power, and scarce resources, in which opposing parties seek to neutralize, injure, or eliminate their opponents (Coser, 1956, 8). Coser also distinguishes between **realistic and non-realistic conflicts**: the former are oriented toward achieving concrete goals, such as improved economic conditions or a more equitable distribution of resources, while the latter serve as a means of releasing accumulated frustrations and tensions (Coser, 1956, 49-53). This distinction is particularly relevant for the analysis of transitional societies, where economic and social tensions often manifest through various forms of collective action. Furthermore, Coser's functionalist approach is especially significant for this study as it emphasizes the role of institutions as **"safety-valve institutions"**, which enable the controlled expression of conflict. Institutionalized forms of conflict – such as collective bargaining, social dialogue, or legal procedures – can reduce the destructive potential of conflict and transform it into a constructive process (Coser, 1956, 41-43). In this context, the absence of institutional channels for the articulation of conflict may lead to its escalation and spillover into extra-institutional forms, thereby increasing the risk of social instability. Ultimately, this approach suggests that **the complete absence of conflict is not necessarily an indicator of stability, but may instead reflect the suppression of structural problems and the lack of mechanisms for addressing them**. As Coser himself emphasizes, conflict represents an important condition for conscious and rational action by social actors (Coser, 1956, 19). In this sense, conflict can be understood as an indicator of the dynamics of social relations and potential points of institutional

adaptation. Therefore, rather than being viewed solely as a threat, social conflict should be analyzed as a complex social phenomenon whose effects depend on the institutional context in which it unfolds.

In contrast to functionalist interpretations that emphasize social order and consensus, Ralf Dahrendorf develops a theoretical approach that views **social conflict as a structurally conditioned and inevitable element of society**. Critiquing dominant sociological paradigms of the mid-twentieth century, he highlights the need to redirect analysis toward issues of conflict, coercion, and social change (Dahrendorf, 1959, xi). One of the key contributions of Dahrendorf’s theory lies in the assertion that **social structures not only undergo change, but systematically generate forces of their own transformation** (Dahrendorf, 1959, viii). In this sense, conflict is not merely an external disturbance of social order, but its inherent product. Dahrendorf further introduces the distinction between **latent and manifest interests**, emphasizing that potential conflicts exist even when they are not explicitly articulated. **Social groups may exist as “quasi-groups”, carrying objective interests that only become active conflict groups through processes of organization and mobilization**. This transformation plays a crucial role in understanding the emergence of social conflicts in modern societies (Dahrendorf, 1959, 173-182). Finally, Dahrendorf underscores **the importance of the institutionalization of conflict**. Where mechanisms exist to articulate and regulate opposing interests – such as trade unions, political institutions, or legal systems – conflict can be channeled into constructive forms (Dahrendorf, 1959, 223-231). Conversely, the suppression of conflict leads to its escalation and the destabilization of the social system. Therefore, social stability should not be understood as the absence of conflict, but as the result of the capacity of institutions to manage structurally generated conflicts.

While Coser emphasizes the functional aspects of social conflict and Dahrendorf its structural embeddedness in relations of authority, **the Marxist perspective introduces a crucial dimension – the economic roots of conflict**. Starting from the premise that social relations are shaped by the organization of production, Marx argues that conflicts in capitalist society are rooted in class antagonisms between labor and capital (Marx, 1906). These antagonisms arise from the logic of the system itself, in which the processes of production and distribution generate structural inequalities and social tensions. In this view, **social conflicts are not deviations from the normal functioning of society, but rather its inherent characteristic**. From a broader perspective, the Marxist approach complements the insights of Coser and Dahrendorf by highlighting that **underlying institutional and**

structural mechanisms are deeper economic causes of conflict. Thus, the economy is not merely a technical sphere of production and distribution, but also a fundamental source of social tensions. Although contemporary societies no longer strictly conform to a binary class structure, **the basic logic of economic conflict remains relevant: structural inequalities in income, employment, and life security produce enduring forms of social discontent.** Accordingly, economic growth alone does not guarantee social stability if its effects are unevenly distributed.

Unlike the Marxist analysis, which emphasizes economic structures as the primary source of social conflict, contemporary approaches such as Ted Gurr's theory of relative deprivation provide a more precise understanding of the mechanisms through which economic conditions translate into concrete forms of conflict. Gurr defines **relative deprivation as the perceived gap between expected and actual conditions** (Gurr, 1970, 24), **thereby shifting the focus from objective conditions to subjective perceptions of injustice.** This approach demonstrates that social conflicts do not necessarily arise under conditions of absolute poverty, but rather **when there is a discrepancy between what individuals or groups believe they are entitled to and what they can actually achieve.** In this context, economic changes – such as rising inequality, declining living standards, or limited social mobility – serve as key sources of deprivation and dissatisfaction. Gurr further argues that the intensity of this dissatisfaction directly affects the scope of social conflict, emphasizing that the greater the intensity of deprivation, the greater the level of violence (Gurr, 1970, 9). However, dissatisfaction alone is not sufficient to generate political conflict; **it becomes relevant only when it is articulated and directed toward the political system and its actors** (Gurr, 1970, 12-14). In this way, Gurr's approach establishes an important link between economic factors and institutional analysis: while economic conditions generate the potential for conflict, the institutional framework determines whether, how, and with what intensity that conflict will manifest. As Gurr demonstrates, the scope and form of social conflict largely depend on the balance between state coercion and institutional support within society (Gurr, 1970, 14-15). Compared to earlier theoretical approaches, the theory of relative deprivation represents a crucial link in understanding social conflict. While Marx explains its structural economic causes and Dahrendorf the mechanisms of institutional articulation, Gurr shows **how economic inequalities are translated into perceptions of injustice and collective action.** Thus, social conflicts can be understood as the result of the interaction between economic conditions, subjective perceptions, and institutional frameworks.

Structural reforms also play a particularly important role in contemporary analyses as a source of economic and social conflicts, especially in transitional economies such as Serbia. Reforms aimed at market liberalization, privatization, and fiscal consolidation often lead to increased labor market insecurity, weakened social protection, and rising inequality (Stiglitz, 2002). Although such reforms are typically justified in terms of macroeconomic stability and efficiency, their social effects can be destabilizing if not accompanied by adequate institutional safeguards.

The theoretical analysis presented here clearly indicates that **the key question is not whether economic imbalances lead to conflict, but under which institutional conditions these conflicts emerge and how they are articulated**. In this context, institutions occupy a central role in mediating between economic causes and the concrete forms of social conflict. According to **institutional economics**, institutions represent the “rules of the game” that shape the behavior of economic and political actors (North, 1990). They determine how economic interests are articulated, conflicts resolved, and resources distributed. Strong and inclusive institutions can channel economic conflicts into negotiation and legal procedures, while weak institutions increase the likelihood of extra-institutional and conflictual forms of action. Political economy literature particularly emphasizes **the importance of inclusive institutions** for sustainable social stability. Acemoglu and Robinson argue that extractive institutions, which concentrate economic and political power in the hands of narrow elites, generate long-term conflict and instability, whereas inclusive institutions enable broader participation and reduce social tensions (Acemoglu & Robinson, 2012). In this sense, **the institutional capacity of the state to manage conflict can also be understood through its ability to balance efficiency and legitimacy in economic policymaking** (Rodrik, 2000). This insight is particularly relevant for post-socialist societies, where institutional transformation has often been asymmetric and incomplete.

Another important theoretical dimension concerns **the role of social dialogue** as a mechanism for regulating economic conflicts. Esping-Andersen’s analysis of the welfare state provides a strong theoretical foundation for understanding social dialogue in contemporary societies. He emphasizes that **the relationships between the state, market, and society are institutionally structured and directly shape patterns of social relations and conflict** (Esping-Andersen, 1990, 9-10). In this context, **the concept of decommodification** is particularly important: the greater the capacity of individuals to secure their livelihood independently of the market, the less exposed they are to economic pressures and power asymmetries (Esping-Andersen,

1990, 21-22). This enables a more balanced position of actors in social dialogue and facilitates the institutionalization of conflict. At the same time, Esping-Andersen highlights that **the welfare state is not only a redistributive mechanism, but also a system of stratification that shapes social positions and power relations** (Esping-Andersen, 1990, 22-23). Different welfare regimes – liberal, conservative, and social democratic – create different institutional conditions for social dialogue (Esping-Andersen, 1990, 25-27). In systems where social policies reinforce divisions, social dialogue tends to be fragmented and less effective, whereas inclusive and universalist systems promote more stable and constructive forms of conflict articulation. Ultimately, **the quality of social dialogue depends on the broader institutional framework of the welfare state.**

Finally, it is important to reiterate that social conflicts do not necessarily have exclusively negative effects. Under certain conditions, they can serve as drivers of institutional change and social reform. However, for conflicts to play a constructive role, institutional channels must exist to enable their articulation and transformation into public policy. Otherwise, economic conflicts tend to deepen social polarization and weaken institutional legitimacy.

This theoretical framework allows social conflicts in Serbia to be understood not as isolated events, but as outcomes of structural economic processes mediated by specific institutional constraints.

3. ECONOMIC STRUCTURE, SOCIAL CONFLICTS, AND INSTITUTIONAL REGULATION IN SERBIA

Serbia's economic development after 2000 has unfolded within complex transitional processes that included privatization, public sector restructuring, and market liberalization. These reforms were aimed at establishing a market economy, increasing efficiency, and integrating the country into global economic flows. However, their effects were not evenly distributed, leading to pronounced economic and social imbalances. In line with insights from the political economy of transition, processes of structural adjustment often generate significant short-term losses concentrated within specific social groups, while the benefits of reforms tend to be diffuse and delayed (Stiglitz, 2002; Cerović, 2012; Tmušić, 2022).

One of the most significant consequences of the transition in Serbia has been deindustrialization and the loss of a large number of jobs, particularly in traditional

industrial sectors. These processes have resulted in long-term unemployment¹, reduced economic security, and weakened social cohesion in certain regions. In this context, **the labor market has become a key site for the generation of social tensions**, as a substantial portion of the population has been exposed to risks that were not adequately mitigated by institutional mechanisms. As the literature on institutional transformation suggests (Cerović, 2012; Tmušić, 2022), unsuccessful or incomplete adaptation of labor market institutions can lead to the deepening of social inequalities and an increased potential for conflict. In this regard, Boeri and Terrell emphasize that the transition to a market economy is primarily a process of profound labor reallocation, in which employment must shift from an inefficient state sector to a new private sector. However, the trajectory of this process varies significantly across countries, and these differences cannot be explained solely by the speed of privatization, but rather by institutional factors. Particular importance is attributed to so-called non-employment benefits, which influence workers’ behavior, wage levels, and labor force participation (Boeri & Terrell, 2002, 51-54). These institutions have a dual effect: on the one hand, they can facilitate transition and stimulate new economic activity, while on the other hand, they may prolong unemployment and reduce the intensity of labor reallocation. A key finding of this approach is that **high unemployment in transition economies is not primarily the result of mass layoffs, but rather a weak transition from unemployment into employment** (Ibid., 59). Thus, the institutional framework of the labor market not only mediates economic change but also significantly determines the dynamics and outcomes of transition.

In addition to structural changes in the labor market, Serbia is characterized by **pronounced regional disparities**, which further intensify economic and social tensions. Economic activity, investment, and infrastructure are concentrated in a few urban and developed regions, while rural and peripheral areas face long-term stagnation (Statistical Office of the Republic of Serbia – P3C, 2025, 477-484). Such

¹ Long-term unemployment in Serbia cannot be explained solely by the process of privatization, but rather has deeper structural roots. More precisely, already in the early 1990s, there was a significant decline in GDP accompanied by a relatively small decrease in formal employment, which led to the widespread existence of fictitious and unproductive jobs. This imbalance was further deepened during the period of sanctions and hyperinflation, when a large portion of the workforce remained formally employed, but without real productivity. In the subsequent period, particularly after 2000, the decline in employment largely represented a process of formalizing an already existing situation, that is, the elimination of long-term unproductive jobs. Although privatization contributed to layoffs of surplus labor, it was not the primary cause of the problem, but rather a mechanism through which structural weaknesses of the economy became visible. Therefore, high unemployment is better understood as a long-term imbalance between productivity and employment, rather than as a direct consequence of reform processes (Tmušić, 2022, 326-327).

spatial imbalance limits social mobility and generates a sense of relative deprivation among populations in less developed regions. In line with the theory of relative deprivation (Gurr, 1970), this perception of injustice and exclusion constitutes a key driver of social conflict. Therefore, regional economic inequalities in Serbia represent not only a development issue, but also a significant source of social tension. Empirical studies confirm that spatial disparities in the distribution of resources, investments, and economic activity undermine social cohesion and deepen social divisions (Miljanović et al., 2010). These inequalities have been further intensified during the transition, leaving some regions permanently marginalized, with limited access to labor markets and development opportunities (Jakopin & Devetaković, 2009).²

Within such an economic context, social conflicts in Serbia take on various forms that reflect the specific structural problems of the economy. The most visible forms are **labor strikes and trade union protests**, most often related to wage arrears, job insecurity, and poor working conditions. Analyses of trade union activities show that the majority of workers' demands are directed toward the realization of basic labor rights, primarily the payment of wages, contributions, and the improvement of working conditions.³ In this sense, strikes represent a key instrument for protecting

² In such a context, economic disparities are transformed into perceptions of injustice and social dissatisfaction, which form the basis for collective action. Recent waves of protests in Serbia demonstrate that social conflicts often arise as a reaction to a broader sense of economic and institutional frustration, rather than to isolated events alone. Although recent protests were triggered by specific incidents, such as corruption or institutional failures, they quickly evolved into mass expressions of discontent with wider socio-economic conditions (The Guardian, 2025; The Washington Post, 2025). It is particularly significant that protests have spread beyond major urban centers, indicating the presence of deeper structural problems and a widespread sense of marginalization. Empirical research suggests that such forms of collective action often stem from a combination of economic inequalities, limited opportunities for social mobility, and low levels of trust in institutions (Jerkov et al., 2025). In this sense, regional disparities act as an important mediating factor that amplifies the potential for social conflict by transforming economic differences into political mobilization.

³ Strikes in Serbia are predominantly of a socio-economic nature and are most commonly directed toward the realization of basic labor rights, such as payment of wages, the provision of social contributions, and the improvement of working conditions. It is particularly characteristic that many of these strikes occur in enterprises facing long-term structural problems, often during or after the privatization process, where workers' leverage is limited, and outcomes frequently include layoffs or the termination of privatization contracts. At the same time, a significant number of strikes evolve into broader protests that extend beyond the workplace into the public sphere, encompassing various sectors and regions across Serbia. For instance, during 2015, strikes and protests were recorded in a wide range of enterprises and sectors, including industrial systems (e.g., IMR Rakovica, FAP, Zastava, Agroživ), the food industry (e.g., Jagodina Brewery, BIP, the Bread and Milk Factory in Vranje), public utility companies (in cities such as Niš, Novi Sad, and Kragujevac), as well as public sector institutions (healthcare facilities, education, and research institutions). In addition, protests were organized by broader social groups, including teachers, journalists, farmers, police officers, trade unions, and former

the economic interests of employees, as confirmed both in labor law literature (Kovačević, 2025) and in the legal framework itself, which defines strikes as a means of exercising economic and professional rights (Law on Strike, 2012). Contemporary protests in the public sector further confirm that dissatisfaction with material conditions and working environments is one of the main drivers of collective action.⁴

These conflicts indicate institutional weaknesses in the protection of labor rights and the functioning of the labor market. At the same time, resistance to privatization processes has represented a significant source of social tensions, particularly in cases where reforms led to mass layoffs and the collapse of local economies.⁵ These processes can be interpreted through the lens of the distribution of costs and benefits, where certain social groups bear a disproportionate burden of economic change.

workers of privatized enterprises, indicating a wide sectoral and territorial spread of social conflicts (SSSS, 2015).

⁴ Analyses of contemporary labor protests in Serbia indicate that formal mechanisms of social dialogue often fail to function effectively, leading to the emergence of so-called “undeclared strikes”, which instead take the form of spontaneous work stoppages or protests. In such cases, workers resort to informal forms of pressure only after institutional channels of negotiation have been exhausted, highlighting the weakness of existing collective bargaining mechanisms and the limited capacity of institutions to mediate labor conflicts (NIN, 2023). These forms of worker mobilization are most commonly associated with low wages, insecure working conditions, and dissatisfaction with the outcomes of negotiations with employers and the state. At the same time, the avoidance of formally declaring a strike is often driven by legal and institutional constraints, which further complicate workers’ positions and reduce the effectiveness of their actions. In this sense, contemporary forms of labor protest in Serbia reflect a broader problem of underdeveloped social dialogue and structural imbalances in relations between labor, capital, and the state. Similar patterns can be observed in other sectors, such as culture, where employee protests are likewise driven by persistently unfavorable material conditions, low wages, and unfulfilled agreements with state institutions. Although formal negotiations between trade unions and relevant authorities have taken place, their implementation has frequently been lacking, resulting in escalating dissatisfaction and the movement of workers into the public sphere, including protests in front of key institutions. Notably, trade unions have warned of the risk that a significant number of employees could fall below the minimum wage threshold, further intensifying perceptions of economic insecurity and institutional neglect (N1, 2025).

⁵ Anti-privatization protests in Serbia further illustrate how economic reforms, under conditions of weak institutions, can generate intense forms of social conflict. During this period, a large number of strikes were recorded, often radicalized through factory occupations, road blockades, and other forms of direct action, as workers sought to prevent disputed privatizations or mitigate their consequences, particularly job losses and unpaid wages. These protests were, to a significant extent, organized at the level of individual enterprises, with limited involvement of formal trade union structures, indicating a low level of trust in institutional mechanisms of social dialogue. At the same time, in certain industrial sectors, there was an almost complete collapse of local economies accompanied by a sharp increase in unemployment, which further stimulated collective worker action and the linkage of different protest groups (ESSF, 2009).

In recent years, **local protests against public and infrastructure projects** have become increasingly prominent, reflecting conflicts between macroeconomic development goals and local social and environmental interests.⁶ These conflicts highlight the complexity of contemporary economic policies, in which economic growth is no longer the sole criterion of social acceptability. A lack of transparency, limited participation of local communities in decision-making processes, and insufficient assessment of social and environmental impacts further intensify these tensions (Rodrik, 2000).

In addition, **reforms of the social protection and pension systems** have constituted a significant source of social conflict, as they directly affect the economic security of broad social groups. Pension and social reforms in Serbia, implemented in the context of fiscal consolidation after 2014, generated substantial tensions, particularly among pensioners and vulnerable populations. Temporary pension cuts and limited indexation to inflation were part of broader fiscal adjustment measures (IMF, 2015; World Bank, 2015, 2016), but were often perceived as a violation of acquired rights (Simović, 2016; Fiscal Council, 2017). Moreover, the gradual increase in the retirement age, justified by demographic trends (OECD, 2025), was frequently perceived as an additional burden under conditions of limited employment opportunities for older workers (World Bank; wiiw, 2020). At the same time, social protection reforms oriented toward more restrictive and activation-based measures (World Bank, 2022) generated a sense of social exclusion among certain groups (Amnesty International, 2023). These processes were further reinforced by the

⁶ Contemporary protests against infrastructure and mining projects further confirm the growing prominence of this form of social conflict in Serbia. Large-scale protests against lithium extraction projects, culminating in a major gathering in Belgrade in 2024, represent a clear example of broad civic mobilization against investments perceived as a threat to the environment and local communities. These protests have encompassed various forms of action, including public demonstrations, road blockades, and coordinated activities across the country, indicating a high level of social mobilization. At the same time, they reflect a deeper conflict between state-led development policies and the interests of local populations, accompanied by a pronounced lack of trust in institutions and decision-making processes (DW, 2024). In addition, analyses of the impact of small hydropower plants in Serbia (SASA, 2020) show that such projects are often associated with significant environmental, social, and developmental controversies, making them a notable source of local social conflict. It is emphasized that many small hydropower plants – particularly those with long diversion pipelines – have limited energy outputs while generating disproportionately large negative effects on aquatic ecosystems, biodiversity, and local communities. These impacts include the degradation of river systems and the disruption of traditional economic activities such as agriculture and eco-tourism. Furthermore, it is noted that many of these projects have been implemented without adequate assessments of their overall economic and environmental viability, alongside weak institutional oversight and insufficient involvement of local communities in decision-making processes. This combination further deepens distrust in institutions and stimulates protest activity.

rationalization of public services, limited capacities of local governments (European Commission, 2023), and underdeveloped mechanisms of social dialogue, which often created the impression that reforms were implemented without adequate participation of social actors (ILO, 2023, 79-82).

These reforms are often perceived as unfair, particularly in a context characterized by low institutional trust and limited social dialogue. In line with findings from the political economy of public policy, the perception of unfair distribution of reform costs significantly increases the likelihood of social conflict (Ahrens, 2019).⁷ In this context, the role of institutions becomes crucial for understanding the dynamics of social conflict. Institutions act as intermediaries between economic causes and concrete forms of social action, shaping how interests are articulated and conflict resolved. The state, legal framework, regulatory bodies, and mechanisms of social dialogue constitute the core instruments of institutional regulation.

Social dialogue, as an institutionalized form of interaction between the state, trade unions, and employers, plays a particularly important role in channeling conflicts into negotiation frameworks. When functioning effectively, it can prevent escalation and contribute to compromise solutions. However, in Serbia, **social dialogue is often constrained by weak institutional capacities, low levels of trust, and power asymmetries among actors, which reduce its effectiveness.** In practice, it has been weakened to the point of near non-existence (Урдаревић, 2024, 73). Structural weaknesses inherited from earlier periods persist, particularly in the limited role of social partners in policymaking and insufficient capacities for collective bargaining, especially in the private sector. Additionally, the process of collective bargaining is not sufficiently regulated by labor legislation, leaving key aspects to the discretion of social partners, which, under conditions of power imbalance and institutional weakness, further limits its effectiveness. Fragmentation of trade unions and the dominance of political and economic elites also contribute to inequality in

⁷ The political economy of public policy suggests that economic reforms inevitably produce an asymmetric distribution of costs and benefits, creating clear “winners” and “losers”, which becomes a key source of political and social tensions. Public policies, particularly in sectors characterized by significant state intervention, are often shaped by the actions of organized interest groups, institutional constraints, and strategic interactions among actors, rather than solely by the maximization of overall social welfare. In this context, the political process plays a central role in determining both the choice of policy instruments and the distribution of resources, whereby perceptions of unfair cost allocation may trigger resistance, destabilization, and collective action among affected social groups (see Anderson et al., 2013).

negotiation processes, allowing reforms to be implemented with minimal involvement of affected groups. In such a context, weak institutional frameworks and the presence of clientelist practices further undermine trust in institutions and perceptions of legitimacy (SeConS, 2017).

The broader institutional framework also reveals weaknesses, reflected in inconsistent law enforcement, limited transparency, and insufficient accountability (European Commission, 2023). Under such conditions, institutions do not always function as effective mediators, but may instead contribute to the deepening of conflicts. In line with arguments from institutional economics, poor institutional quality increases the likelihood that economic conflicts spill over into extra-institutional forms of action, such as protests and political radicalization. Institutions, as the “rules of the game”, are meant to channel opposing interests through formal mechanisms of negotiation and legal procedures; however, when they are ineffective, non-inclusive, or lack credibility, actors increasingly resort to alternative forms of action outside institutional frameworks (North, 1990; Hirschman, 1970). Furthermore, political economy literature emphasizes that extractive institutions, which restrict access to resources and participation in decision-making, generate a higher potential for conflict and instability (Acemoglu & Robinson, 2012), often manifested in rising protest activity and political radicalization.

The analysis presented here indicates that **social conflicts in Serbia do not arise solely from economic inequalities, but from the ways in which these inequalities are institutionally articulated and regulated**. Economic structure creates the potential for conflict, while the institutional framework determines its intensity, form, and outcome. In this sense, understanding social conflict requires an integrated approach that connects economic processes and institutional mechanisms, which constitutes the central analytical framework of this paper.

4. INSTITUTIONAL CAPACITY AND SOCIAL STABILITY: DISCUSSION

The preceding analysis indicates that social conflicts in Serbia cannot be adequately explained solely by economic factors, but are primarily the result of a complex interaction between economic imbalances and the institutional framework within which these imbalances are articulated. While economic inequality, labor market insecurity, and regional disparities create an objective basis for the emergence of conflict, their intensity, form, and persistence largely depend on the institutional capacity of society to recognize, channel, and regulate such conflicts. In this sense,

institutions emerge as key mediators between economic causes and social outcomes, in line with the core principles of institutional economics.

One of the central findings of this study concerns **the limited capacity of institutions in Serbia to function as effective mechanisms for managing social conflicts**. Insufficient transparency in decision-making, limited inclusiveness in public policy processes, and the underdevelopment of social dialogue result in a significant number of economic conflicts remaining outside institutional channels. **Instead of being articulated through formal mechanisms such as negotiation, collective bargaining, or legal protection, these conflicts are frequently expressed through protests, strikes, and other forms of public discontent**. This dynamic points to the existence of an institutional deficit, which increases the likelihood of conflict escalation and deepens social polarization.

A particularly **important issue is the asymmetry of power among different social actors**, which further constrains the effectiveness of institutional mechanisms. In conditions where certain groups enjoy privileged access to resources and decision-making processes, while others are marginalized, institutions lose their function as neutral mediators. Instead, **they may be perceived as instruments for reproducing existing inequalities, thereby reducing their legitimacy and encouraging extra-institutional forms of action**. This insight is consistent with arguments from institutional economics, which emphasize that a lack of institutional inclusiveness increases the risk of social conflict (Acemoglu & Robinson, 2012).

In this context, the key question is not only how to reduce economic inequalities, but how to build an institutional framework that enables their legitimate and effective articulation. **Institutional capacity can, therefore, be understood through several interrelated dimensions: transparency, accountability, inclusiveness, and the ability to implement public policies**. A high level of transparency reduces the scope for conflicts based on distrust and perceived unfairness, while inclusiveness allows different social groups to participate in processes that directly affect their economic interests. At the same time, effective enforcement of laws and policies is a prerequisite for maintaining trust in institutions and preventing the escalation of conflict.

Social dialogue represents one of the most important instruments of institutional regulation of economic conflicts. In theory, as discussed earlier in this paper (Esping-Andersen, 1990), this mechanism enables the balancing of interests between the state, employers, and workers, thereby translating conflicts into frameworks of negotiation and compromise. However, **in the Serbian context, social dialogue often remains formal in nature and has limited influence on key decisions. A lack of trust**

among actors, combined with insufficient institutional support, prevents it from fully performing its mediating function. Consequently, economic conflicts spill over into the public sphere, where they take on more intense and often politically articulated forms of collective action.

Nevertheless, it is important to emphasize that social conflicts do not necessarily have exclusively negative effects. Under certain institutional conditions, as noted in the theoretical section of this paper (Coser, 1956), they can act as drivers of change and contribute to the improvement of public policies and institutional arrangements. The key distinction between destructive and constructive conflicts lies precisely in the institutional framework that shapes their articulation. When mechanisms exist that enable conflicting interests to be transformed into dialogue and negotiation, conflicts can play a positive role in social development. Otherwise, they tend to lead to escalation, radicalization, and the erosion of institutional legitimacy. In other words, **conflicts can be analyzed through the lens of destruction and construction** as the outcomes they generate: when the destructive dimension of conflicts results in the construction of institutional relationships (**destruction for the sake of construction**), it represents a positive effect; conversely, when destruction leads to further erosion of existing institutional arrangements (**destruction for the sake of destruction**), it contributes to the disintegration of the social order. The analytical distinction between destructive and constructive outcomes allows for a more precise understanding of the dual role of social conflict in social dynamics.

In light of these findings, it can be concluded that social stability is not solely a function of economic performance, but primarily a reflection of the quality of the institutional framework and its capacity to articulate and regulate social discontent. Economic growth, even when relatively high, does not guarantee social stability unless it is accompanied by institutional mechanisms that ensure fair redistribution, transparency, and the participation of diverse social groups.⁸ This insight is consistent with broader literature (Rodrik, 2000), which emphasizes that institutions are a key determinant of sustainable development and social cohesion.

⁸ Economic development, in contrast to mere economic growth, entails a significantly broader and more complex process that, in addition to increases in production and income, encompasses profound structural and social changes. It involves not only the transformation of economic relations, but also improvements in the distribution of resources, the strengthening of economic freedoms, and the expansion of opportunities for participation of different social groups in economic processes. In this sense, development can be understood as the transition of a society to a more advanced stage, one that implies not only quantitative growth, but also qualitative improvements in living standards, greater economic security, and a broader scope of political and social freedoms, thereby constituting a key prerequisite for long-term social stability (Tmušić, 2025).

Therefore, strengthening institutional capacity in Serbia can be understood as a central prerequisite for reducing the intensity of social conflicts and building a more stable society. This involves not only improving formal institutions but also building trust, enhancing social dialogue, and increasing transparency in decision-making processes. Only within such a framework is it possible to transform economic conflicts from a source of instability into a mechanism of social learning and institutional development. **Economic conflicts do not in themselves undermine social stability – rather, this occurs when institutions are unable to anticipate, recognize, articulate, and channel them.**

5. CONCLUSION

This paper has examined the economic causes of social conflicts in Serbia, with particular emphasis on the role of institutional regulation in their emergence, articulation, and mitigation. Building on theoretical approaches that link economic imbalances with social instability, the analysis has demonstrated that **social conflicts in Serbia do not arise solely from economic factors, but from their interaction with the institutional framework.** Economic processes – such as structural reforms, unequal income distribution, regional disparities, and labor market insecurity – create an objective basis for conflict. However, institutions determine how these conflicts are expressed and resolved.

The analysis has shown that the transition processes in Serbia, although aimed at increasing efficiency and fostering economic growth, have generated high social costs that have been unevenly distributed. Deindustrialization, long-term unemployment, and regional disparities have created a persistent foundation for social tension, which have manifested in various forms of conflict – from labor strikes and resistance to privatization, to local protests and dissatisfaction with social and pension reforms. These conflicts point not only to structural weaknesses of the Serbian economic system, but also the limited capacity of institution to channel them in a timely and effective manner.

A key contribution of this paper lies in emphasizing the role of institutions as a central mediator between economic causes and social outcomes. In line with the insights of institutional economics, institutions function not only as a regulatory framework but also as mechanisms that shape incentives, resource allocation, and the articulation of social interests. Under conditions of weak institutional capacity, economic conflicts are more likely to manifest in destructive and extra-institutional

forms, leading to deeper social polarization and declining trust in institutions. Conversely, well-developed institutional mechanisms can transform conflicts into processes of negotiation and compromise, thereby contributing to social stability and institutional development.

In this context, the findings indicate that the intensity and persistence of social conflicts largely depend on the ability of institutions to recognize, articulate, and regulate economic conflicts. Insufficient transparency, limited inclusiveness in decision-making processes, and weak social dialogue represent key challenges that reduce the effectiveness of institutional regulation and increase the risk of conflict escalation. These findings confirm that social stability is not solely a function of economic growth, but primarily a reflection of the quality of the institutional framework.

The policy implications are clear. Strengthening social dialogue, improving legal certainty, and promoting more inclusive public policymaking represent key prerequisites for reducing social tensions and ensuring long-term stability. This entails not only the formal improvement of institutions but also the strengthening of their legitimacy, increasing transparency, and encouraging the active participation of diverse social groups in decision-making processes. In particular, the development of effective mechanisms of social dialogue is crucial for the institutionalization of economic conflicts and the prevention of their escalation.

Finally, the paper highlights the need for further research to deepen the understanding of the relationship between economic factors, institutional mechanisms, and social conflicts. Future research could focus on more detailed case studies in Serbia, as well as on comparative analyses that would enable a broader understanding of the role of institutions across different political and economic contexts. Overall, this paper confirms that economic conflicts are an inevitable feature of contemporary societies, but their outcomes are not predetermined. Rather, they depend to a decisive extent on the institutional capacity of society to recognize, articulate, and transform conflicts into mechanisms of social coordination and development.

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ЕКОНОМСКИ УЗРОЦИ ДРУШТВЕНИХ СУКОБА У СРБИЈИ И ИНСТИТУЦИОНАЛНА РЕГУЛАЦИЈА

Сажетак

У овом раду се анализирају економски узроци друштвених сукоба у Србији, са посебним освртом на улогу институционалне регулације у њиховом настанку и ублажавању. Полазећи од теоријских приступа који повезују економске дисбалансе и социјалну нестабилност, у овом раду се испитује како дуготрајна структурна прилагођавања, неједнака расподела дохотка, регионалне неравномерности и несигурност на тржишту рада стварају подлогу за различите облике друштвених конфликта. Посебна пажња је посвећена анализи конкретних примера из савременог контекста српске економије, укључујући радничке штрајкове, отпор процесима приватизације, локалне протесте против јавних и инфраструктурних инвестиција, као и тензије изазване реформама социјалног и пензијског система. У другом делу рада се разматра улога формалних институција – државе, социјалног дијалога, регулаторних тела и правног оквира – у управљању економским сукобима и каналисању друштвених незадовољстава. Циљ рада је да покаже да интензитет и трајност друштвених сукоба у значајној мери зависе од капацитета институција да економске конфликте благовремено препознају и институционално артикулишу, чиме се смањује ризик од друштвене поларизације.

Кључне речи: друштвени сукоби, економска неједнакост, структурне реформе, институционална регулација, Србија.

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