



International  
Labour  
Office  
Geneva

**Employment Policy Department  
EMPLOYMENT Working Paper  
No. 156**

**2014**

**Employment policy implementation  
mechanisms in Bosnia & Herzegovina**

Niall O'Higgins

Employment  
and Labour  
Market Policies  
Branch

Copyright © International Labour Organization 2014  
First published 2014

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Permissions), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: [pubdroit@ilo.org](mailto:pubdroit@ilo.org). The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit <http://www.ifro.org> to find the reproduction rights organization in your country.

---

*ILO Cataloguing in Publication Data*

O'Higgins, Niall

Employment policy implementation mechanisms in Bosnia and Herzegovina / Niall O'Higgins ; International Labour Office, Employment Policy Department, Employment and Labour Market Policies Branch. - Geneva: ILO, 2014  
(Employment working paper ; No. 156, ISSN: 1999-2939 ; 1999-2947 (web pdf))

International Labour Office Employment and Labour Market Policies Branch.

employment policy / promotion of employment / labour market / national plan / Bosnia and Herzegovina / politique de l'emploi / promotion de l'emploi / marché du travail / plan national / Bosnie-Herzégovine / política de empleo / fomento del empleo / mercado de trabajo / plan nacional / Bosnia y Herzegovina

13.01.3

---

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: [pubvente@ilo.org](mailto:pubvente@ilo.org)

Visit our website: <http://www.ilo.org/publns>

---

Printed by the ILO, Geneva, Switzerland

## Preface

The primary goal of the ILO is to contribute, with member States, to achieve full and productive employment and decent work for all, including women and young people, a goal embedded in the ILO Declaration 2008 on Social Justice for a Fair Globalization,<sup>1</sup> and which has now been widely adopted by the international community.

The comprehensive and integrated perspective to achieve this goal are embedded in the Employment Policy Convention, 1964 (No. 122), in the Global Employment Agenda (2003) and, in response to the 2008 global economic crisis, in the Global Jobs Pact (2009) and in the Conclusions of the recurrent discussion on Employment (2010).

The Employment Policy Department (EMPLOYMENT) is fully engaged in global advocacy and in supporting countries placing more and better jobs at the centre of economic and social policies and of inclusive growth and development strategies.

Policy research, knowledge generation and dissemination is an essential component of the Employment Policy Department's action. The publications include books, monographs, working papers, country policy reviews and policy briefs.<sup>2</sup>

The *Employment Policy Working Papers* series is designed to disseminate the main findings of research initiatives on a broad range of topics undertaken by the various branches, units and teams in the Department. The working papers are intended to encourage exchange of ideas and to stimulate debate. The views expressed are the responsibility of the author(s) and do not necessarily represent those of the ILO.

Azita Berar Awad  
Director  
Employment Policy Department

---

<sup>1</sup> See [http://www.ilo.org/public/english/bureau/dgo/download/dg\\_announce\\_en.pdf](http://www.ilo.org/public/english/bureau/dgo/download/dg_announce_en.pdf)

<sup>2</sup> See <http://www.ilo.org/employment>.



## Foreword

Job creation is a priority for all countries. Yet satisfactory job creation is an uphill battle because today's economic environment and policy circumstances are not necessarily aiding this collective effort. Employment challenges have been mounting, but policymakers are faced with limited, and even reduced, fiscal resources. It means that policy interventions for job creation need to be highly effective.

The ILO assists member states to formulate national employment policies (NEPs) as established in the Employment Policy Convention, 1964 (No.122). For the years 2012-2013 alone, 73 requests for technical assistance by countries seeking advice on and support for the formulation of their national employment policies have been received. This is why the Employment Policy Department is developing a series of tools that will guide and support ILO constituents in prioritizing policies based on informed choices and consultations.

As an independent evaluation in 2012 of the ILO's work on employment policy has pointed out, such NEPs, however well-formulated and well-designed, can remain as abstract entities unless the necessary institutional arrangements are put in place to ensure their timely and effective implementation. This needs to be complemented by coordination, monitoring and evaluation mechanisms to adapt them to changing economic circumstances.

In the light of these concerns, the ILO, with support from technical cooperation funds secured under the ILO-Korean Government Partnership Programme launched a cross-country project entitled "Comparative analysis of employment policy implementation mechanisms across countries" in the first quarter of 2013. The following countries and region are covered by the project: Argentina, Bosnia and Herzegovina, Burkina Faso, Brazil, China, Republic of Korea, South Africa and the European Union (EU) including two of its member states, the United Kingdom and Germany.

This paper discusses the NEP implementation mechanisms in Bosnia and Herzegovina. It is organized in six sections. The first two sections introduce the political framework, and the institutional and economic context of employment policy formulation and implementation the country. The third section reviews the organizational structure for employment policies at national level, and in the two autonomous entities and an internationally-supervised district. The fourth section analyses the implementation mechanisms and their effectiveness. The last two sections discuss the obstacles and difficulties to be overcome in order to improve the functioning of the labour market and increase decent work, and also the gaps remained in terms of effective policymaking and implementation.

Iyanatul Islam  
Chief  
Employment and Labour Market Policies  
Branch  
Employment Policy Department



## **Acknowledgement**

This working paper was prepared by Mr Niall O’Higgins, Professor of Economics at the University of Salerno and Research Fellow at IZA, Bonn. Comments on the draft of the paper from reviews by Claire Harasty and Natalia Popova, ILO officials at headquarters and in field office, and by participants at the seminar on “Employment policy implementation mechanisms: Some country experiences” on 4-5 November 2013, are acknowledged with appreciation.

The paper was prepared as part of a project that was managed by Yadong Wang under the overall guidance of Azita Berar Awad and Iyanatul Islam.



# Contents

	<i>Page</i>
Preface.....	iii
Foreword.....	v
Acknowledgement.....	vii
Abbreviations.....	xi
1 Introduction and context.....	1
1.1 Political framework and institutional context.....	1
1.2 Economic Context.....	1
2 The Labour market in Bosnia and Herzegovina.....	3
2.1 Labour force participation.....	3
2.2 Employment.....	4
2.3 Unemployment.....	5
2.4 Demographic trends.....	8
3 Employment policy in Bosnia and Herzegovina.....	10
3.1 The governance of employment policy in Bosnia and Herzegovina.....	10
3.2 Employment policy.....	12
3.2.1 <i>State-level policy</i> .....	12
3.2.2 <i>Employment policy in the Federation of Bosnia and Herzegovina</i> .....	20
3.2.3 <i>Employment Policy in the Republika Srpska</i> .....	21
3.2.4 <i>A comparison of the strategies</i> .....	21
3.2.5 <i>International donors</i> .....	22
4 Employment policy implementation mechanisms.....	23
4.1 Coordination.....	23
4.2 Targets.....	24
4.3 Funding.....	25
4.4 Monitoring and evaluation.....	26
4.5 The role of the social partners.....	27
4.6 Employment strategy, labour market policy and international donors.....	27
5 Future perspectives on employment policies.....	31
6 Conclusions and lessons learnt.....	33
References.....	35

## List of Figures

Figure 1	Labour force participation rates in Bosnia and Herzegovina and its entities, 2006 -2012 .....	3
Figure 2	Employment rates in Bosnia and Herzegovina and its entities, 2006 -2012.....	4
Figure 3	Distribution of the employed in Bosnia and Herzegovina by broad economic sector, 2007 and 2012. ....	5
Figure 4	Unemployment rates in Bosnia and Herzegovina and its entities, 2006 -2012.....	6
Figure 5	Age-based and de facto dependency ratios in Bosnia and Herzegovina, 2006-2012 .....	9
Figure 6	Age structure of the population aged 15 and over in Bosnia and Herzegovina, 2006-2012 .....	9
Figure 7	Organizational structure of employment related policy in Bosnia and Herzegovina .....	11

## List of Tables

Table 1	Main economic indicators, Bosnia and Herzegovina, 2000–2010.....	2
Table 2	Labour force participation rates in Bosnia and Herzegovina, neighbouring countries and the EU, 2012.....	3
Table 3	Employment rates in Bosnia and Herzegovina, neighbouring countries and the EU, 2012 .....	4
Table 4	Unemployment rates in Bosnia and Herzegovina, neighbouring countries and the EU, 2012 .....	6
Table 5	Distribution of the working age population by educational attainment, Bosnia and Herzegovina, Croatia, Macedonia and the EU; 2007 and 2012 .....	7
Table 6	Unemployment rates by educational attainment in Bosnia and Herzegovina, 2007 and 2012.....	8
Table 7	Employment goal benchmark indicators for Bosnia and Herzegovina’s Development Strategy.....	14
Table 8	Activities envisaged by the employment goal of the social inclusion strategy at state and entity level.....	15
Table 9	A comparison of priorities/goals at State and Entity level.....	22

## Abbreviations

ALMP	Active Labour Market Programme/Policy (according to context)
BiH	Bosnia and Herzegovina (National State)
CBBH	Central Bank of Bosnia and Herzegovina
DB	District of Brčko
DEP	Directorate of Economic Planning (BiH)
EU	European Union (of 27 countries, i.e. prior to the entry of Croatia on 01.07.2013)
FBiH	Federation of Bosnia and Herzegovina (Entity)
GDP	Gross Domestic Product
ILO	International Labour Office/Organization (according to context)
IMF	International Monetary Fund
IPA	Instrument for Pre-accession Assistance
MCA	Ministry of Civil Affairs (BiH)
MDF	Millennium Development Fund
MS	Ministry of Security (BiH)
RS	Repubblika Srpska (Entity)
SDA	Swiss Agency for Development and Co-operation
SEA	State Employment Agency (BiH)
SME	Small and Medium sized Enterprise
UNDP	United Nations Development Programme
YEP	Youth Employment Project
YERP	Youth Employability and Retention Programme

# 1 Introduction and context

## 1.1 Political framework and institutional context

The institutional context, like many aspects of life in Bosnia and Herzegovina, is still feeling the effects of the 1992–95 war. The Dayton Peace Agreement, signed in December 1995, effectively ended the 1992–95 war and established the political framework for Bosnia and Herzegovina's development. The agreement created a complex, multi-layered and decentralized governance structure based around two largely autonomous entities: the Federation of Bosnia and Herzegovina and Republika Srpska. In addition, the internationally-supervised District of Brčko was created on March 5 1999 following an arbitration process undertaken by the High Representative for the Bosnia and Herzegovina State<sup>3</sup>. The Federation of Bosnia and Herzegovina is further divided into ten cantons and 80 municipalities. The more ethnically homogeneous Republika Srpska is less decentralized, has no cantons but does contain 62 municipalities. The Dayton Peace Agreement established the position of the High Representative, between 2002 and 2011 also the European Union's Special Representative, who is supported by the Office of the High Representative (OHR) to oversee the implementation of civilian aspects of the peace agreement. Over time, the role of the OHR has been gradually transferred to State institutions, as the first step towards its eventual closure<sup>4</sup>. The principal State governing institution is the Council of Ministers but responsibility for coordinating matters pertaining to employment and the labour market falls to the State Ministry of Civil Affairs. Decision-making powers on labour market matters are, however, retained by the institutions of the respective entities. Indeed, whilst all functions of government are covered by Ministries at both State and entity level, it is the entities which possess the more complete range of ministries<sup>5</sup>. With regard to the establishment and implementation of an employment policy in Bosnia and Herzegovina, the reality is still more complex, as is discussed below.

## 1.2 Economic Context

Real economic growth in Bosnia and Herzegovina was fairly strong and stable during the new millennium until the global financial crisis started to make itself felt in 2009. Real GDP growth averaged around six per cent per year during the period 2003–08, while GDP per capita seemed to be increasing until the effects of the economic downturn started to make themselves felt<sup>6</sup>. In 2009, GDP fell by a little over 3% and since then growth has been weak so that, estimated real GDP per capita has still not recovered its 2008 level.

---

<sup>3</sup> Given the complex governance structure, we use the term 'the (Bosnia and Herzegovina) State' and 'State-level' to refer to national level institutions.

<sup>4</sup> The closure of the OHR is seen by the Peace Implementation Council (the international body charged with implementing the Dayton Peace Agreement) as a precondition for EU accession. The closure was initially estimated for June 2008, but has been repeatedly postponed. As yet, no date is fixed for its abolition.

<sup>5</sup> Indeed, the Ministry of Civil Affairs itself is responsible for a range of issues not limited to those traditionally covered by labour ministries; these include health, education, science and culture, sport and meteorological affairs.

<sup>6</sup> Comparisons over time are somewhat problematic, given the lack of agreement on the size of the population in Bosnia and Herzegovina. There has been no population census since 1991, although a new census was undertaken in October 2013 (but see also <http://zastone.ba/en/civic-monitoring-reveals-numerous-irregularities-in-bihs-2013-census/>). Understandably, the war and its aftermath caused fairly massive population movements and, in the absence of a census, created problems for the gathering of population-related figures (for example, GDP per capita). Various population estimates are in use; for example, the official estimate for 2006 was 3,843,000 persons. The State Statistical Agency used an estimate of 3,372,000 for the 2006 Labour Force Survey; while the US Census Bureau estimate is 4,461,000. There is also disagreement over whether and/or when the GDP per capita level overtook its pre-war level. The European Training Foundation (European Training Foundation, 2007) reports GDP per capita as €1,600 in 2003 or "half the pre-

Table 1 Main economic indicators, Bosnia and Herzegovina, 2000–2010

Year	Nominal GDP (million Bosnia and Herzegovina convertible mark (KM))	Real GDP per capita (KM)	Real GDP growth rate (%)
2000	12,094	3,694.49	5.2
2001	13,070	3,764.84	3.6
2002	13,790	3,924.09	5
2003	14,505	4,043.56	3.5
2004	15,786	4,262.90	6.3
2005	17,127	4,393.09	3.9
2006	19,252	4,654.41	6.1
2007	21,760	4,943.06	6.1
2008	24,702	5,226.32	5.7
2009	23,994	5,082.97	-3.1
2010	24,773	5,129.11	0.7
2011	25,666	5,203.13	1.3
2012*	26,362	5,175.12	-0.7
2013*	27,841	5,209.22	0.5

Note: \* estimate/projection.

Source: IMF (2010, 2013) and IMF WEO database.

---

war levels”; while the Report on State Employment Policies (Labour and Employment Agency for Bosnia and Herzegovina, 2007) reports that pre-war GDP per capita levels (US\$ 2,000 in 1990) were overtaken by 2004. In this case, the apparent discrepancy is explained largely by the use of different base currencies.

## 2 The Labour market in Bosnia and Herzegovina

The collection of labour market information in Bosnia and Herzegovina is rather limited although since 2006 an annual labour force survey has been undertaken. This allows at least a broad overview of the situation and developments since then. A number of issues are immediately obvious when looking at the labour market situation.

### 2.1 Labour force participation

Labour force participation rates are low, even by the standards of the region (Table 2). It can be observed that this is largely due to an extremely low labour force participation rate among women ; at 32.6%, the labour force participation rate of women is less than half that of the EU average (65.6%). However, until the recession hit, participation rates had been increasing since 2006 (Figure 1<sup>7</sup>), although it may be observed that this was entirely due to substantial increases in labour force participation in the Republika Srpska.

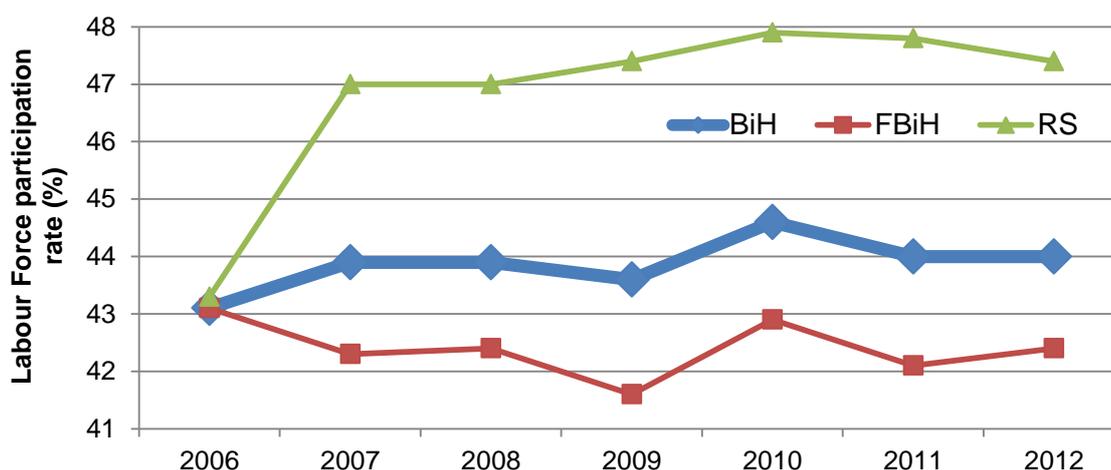
Table 2 Labour force participation rates in Bosnia and Herzegovina, neighbouring countries and the EU, 2012

	Total	Males	Females
<b>Bosnia and Herzegovina</b>	44.0	56.4	32.6
<b>Croatia</b>	60.5	66.1	55.0
<b>FYR of Macedonia</b>	63.9	76.6	50.8
<b>European Union (27 countries)<sup>2</sup></b>	71.8	78.0	65.6

Note: 1) The labour force participation rate is defined as:  $100 \times \text{labour force} / \text{working-age population}$ , where the labour force is the sum of the employed and unemployed (ILO-definition). 2) The EU figures do not include Croatia since in 2012 it was not yet a Member State.

Source: Bosnia and Herzegovina Labour force survey 2012; other countries – Eurostat database.

Figure 1 Labour force participation rates in Bosnia and Herzegovina and its entities, 2006 -2012



Note: The labour force participation rate is defined as:  $100 \times \text{labour force} / \text{working-age population}$ , where the labour force is the sum of the employed and unemployed (ILO-definition). BiH – Bosnia and Herzegovina; FBiH - Federation of Bosnia and Herzegovina; RS - Republika Srpska

Source: Bosnia and Herzegovina Labour force survey, various years.

<sup>7</sup> The figures presented here include only information on the two entities. Data on the District of Brčko is available, but, given the small sample size in the labour force survey, the disaggregation at this level often does not produce reliable estimates.

## 2.2 Employment

Employment rates in the country are also correspondingly low (Table 3); here the divergence between Bosnia and Herzegovina and its neighbours is even more striking. Again the principal source of the divergence is the extremely low employment rate of women in Bosnia and Herzegovina which is less than half that of Croatia and less than one third of the average employment rate of women in the EU.

Table 3 Employment rates in Bosnia and Herzegovina, neighbouring countries and the EU, 2012

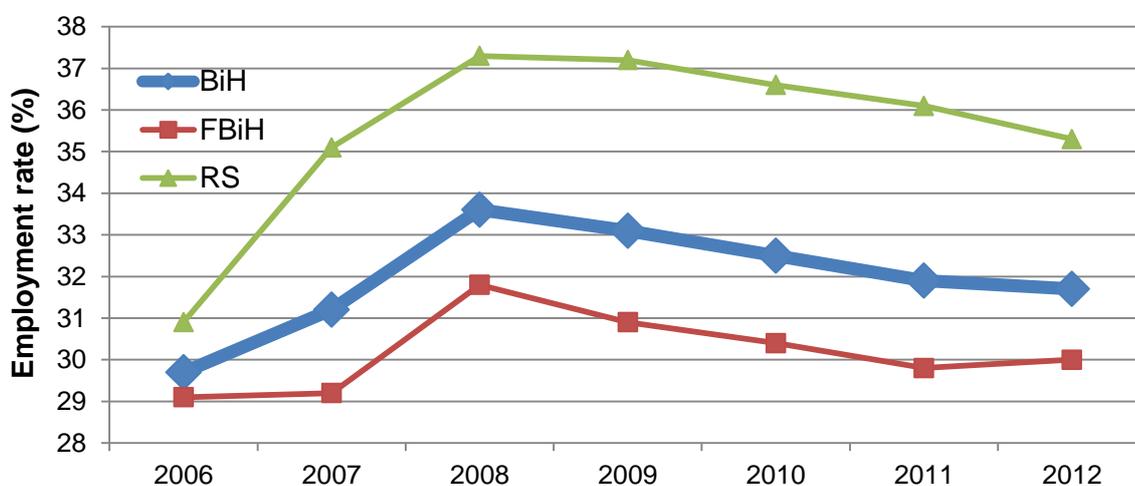
	Total	Males	Females
Bosnia and Herzegovina	31.7	41.5	22.6
Croatia	50.7	55.1	46.2
FYR of Macedonia	44.0	52.4	35.3
European Union	64.2	69.8	58.6

Note: The employment rate is defined as:  $100 \times \text{employed} / \text{working-age population}$ .

Source: Bosnia and Herzegovina Labour force survey 2012; other countries – Eurostat database.

Although employment rates increased by four percentage points between 2006 and 2008, since 2009, employment has been continually declining (Figure 2). As with participation rates, employment is significantly higher in the Republika Srpska than in the Federation of Bosnia and Herzegovina, although the fall in employment rates is of similar size in both entities.

Figure 2 Employment rates in Bosnia and Herzegovina and its entities, 2006 -2012



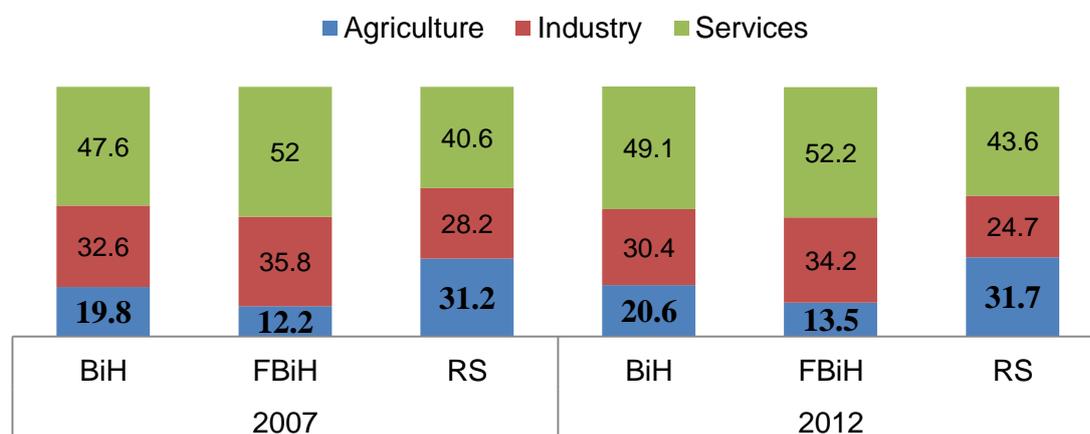
Note: The employment rate is defined as:  $100 \times \text{employed} / \text{working-age population}$ . BiH – Bosnia and Herzegovina; FBiH - Federation of Bosnia and Herzegovina; RS - Republika Srpska

Source: Bosnia and Herzegovina Labour force survey, various years.

Of the three broad economic sectors, services is the main employer (Figure 3). The figure also illustrates several other relevant points. Agriculture is still a major employer in Bosnia and Herzegovina – and this is particularly marked in the Republika Srpska where nearly one third of the workforce is involved in this sector. Moreover, comparing 2007 and 2012, it would appear that one of the effects of the recession has been to push people back into agriculture, as it may be observed that the prevalence of agricultural employment has actually increased over the period. Curiously this trend is most marked in the Federation of Bosnia and Herzegovina, where agricultural employment is lowest. More generally, the negative employment effects of the recession have led to a move from industry to services (and agriculture). However, whilst the

shift in employment from industry to services, which dominates the changes in the Republika Srpska, is simply reinforcing a trend already observable in most industrialized countries in recent decades, the move from industry to agriculture, on the other hand, which dominates the employment changes in the Federation of Bosnia and Herzegovina, suggests a necessity driven return to forms of lower productivity employment.

Figure 3 Distribution of the employed in Bosnia and Herzegovina by broad economic sector, 2007 and 2012.



Note: BiH – Bosnia and Herzegovina; FBiH - Federation of Bosnia and Herzegovina; RS - Republika Srpska

Source: Bosnia and Herzegovina Labour force survey 2007 and 2012.

The labour market in Bosnia and Herzegovina is also characterized by a substantial informal economy. Estimates of its size vary, as one might expect. However, the ILO (2009) suggests that, based on data from the 2006 labour force survey, informal employment makes up around one third of all employment and these figures were also used as a basis for the Country's Development and Employment Strategies (DEP, 2010a; MCA, 2010). Using the World Bank's LSMS data, Dell'Anno and Piirisild (2004), also estimate that informal employment, expressed as a percentage of formal as opposed to all employment, amounted to around 51 per cent in the early part of the new millennium, or around one third of all employment, as with the Labour Force Survey estimates<sup>8</sup>. Informal employment is concentrated in agriculture and its prevalence is significantly larger in the Republika Srpska than in Bosnia and Herzegovina. As in other countries, it is also heavily concentrated amongst young people (ILO, 2009).

Thus, although the available data do not allow an analysis of the question, taking the observations of the two previous paragraphs together, it is reasonable to suppose that the recession has also been accompanied by an increase in informal employment, particularly in the Federation of Bosnia and Herzegovina where agricultural employment has expanded significantly<sup>9</sup>.

## 2.3 Unemployment

Reflecting the low employment rates, unemployment is also substantial in Bosnia and Herzegovina, although, in this case, the rate in Bosnia and Herzegovina is similar to that of Macedonia, in contrast to the neighbouring countries and the EU average. However, women have significantly higher unemployment rates than men in Bosnia and Herzegovina (Table 4).

<sup>8</sup> This is actually a little lower than the World Bank's own estimates from the LSMS data (World Bank, 2005).

<sup>9</sup> Further indirect evidence for this is provided by the data on self-employment which, in the Federation of Bosnia and Herzegovina, has expanded slightly from 17.7% of employment in 2007 to 18.4% in 2012.

Table 4 Unemployment rates in Bosnia and Herzegovina, neighbouring countries and the EU, 2012

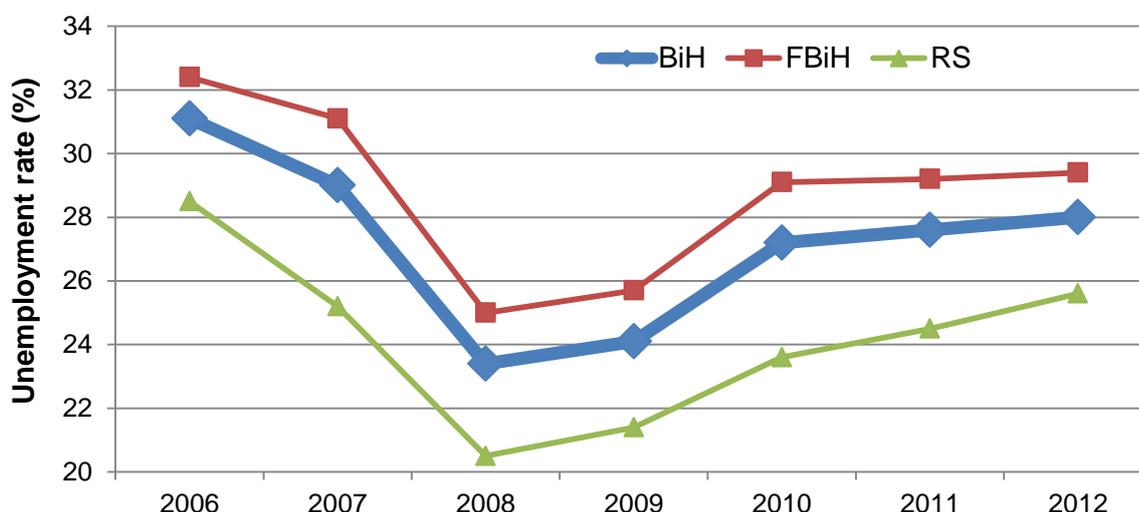
	Total	Males	Females
Bosnia and Herzegovina	28.0	26.4	30.7
Croatia	16.3	16.5	16.0
FYR of Macedonia	31.2	31.6	30.5
European Union	10.6	10.5	10.6

Note: The unemployment rate is defined as:  $100 \times \text{unemployed} / \text{labour force}$ .

Source: Bosnia and Herzegovina Labour force survey 2012; other countries – Eurostat database.

Unemployment rates fell sharply over the period 2006-2008, but since then have increased consistently (Figure 4). Both the reduction in unemployment between 2006 and 2008 and its ‘recovery’ during the period 2009-2012 were slightly more marked in the Republika Srpska than in the Federation of Bosnia and Herzegovina so that the differential between the entities of around four percentage points is the same in 2012 as it had been in 2006.

Figure 4 Unemployment rates in Bosnia and Herzegovina and its entities, 2006 -2012



Note: The unemployment rate is defined as:  $100 \times \text{unemployed} / \text{labour force}$ . BiH – Bosnia and Herzegovina; FBiH - Federation of Bosnia and Herzegovina; RS - Republika Srpska

Source: Bosnia and Herzegovina Labour force survey, various years.

At least as important as the high level of unemployment in the country, is the very high prevalence of long-term unemployment. In 2012, 82% of the unemployed had been in unemployment for more than one year. This is comparable to the prevalence in Macedonia of 83% (in 2011) and nearly double that observable in the EU (43% in 2011). In contrast to Macedonia, however, no significant reductions have been achieved in long-term unemployment since 2009. There was a substantial fall in the rate from 86% to 82% between 2008 and 2009; however, this is largely attributable to the increases in unemployment occurring at that time.

Unemployment is not spread evenly across groups; the preponderance of women was noted. However, also of some importance is the very high level of youth unemployment. Although, in common with many countries in the EU, youth unemployment rates are a little over twice the rates of adults, since the overall unemployment rate is so high, this translates into a youth unemployment rate of around 60%; three out of every five young people who are without work but actively seeking it, cannot find jobs.

Although not directly concerned with the labour market but closely related to it, concerns have also been expressed regarding the relatively low levels of educational attainment in the country (Khare et al., 2011). Certainly, the role of education systems has been central to the development of the national and entity level employment strategies as will be seen below.

Educational attainment rates are much lower in Bosnia and Herzegovina than in neighbouring countries and much lower than those observable in the EU as a whole (Table 5). On the other hand, educational attainment has been increasing rapidly; in Bosnia and Herzegovina, the percentage of the working age population who have tertiary qualifications rose by around 35% (albeit only 2.3 percentage points) between 2007 and 2012. In the EU27 the corresponding rise was 19% (or 3.8 percentage points). It may also be observed that unemployment rates are much lower amongst tertiary educated workers, than amongst those with primary or secondary education (Table 6). One change that is very evident between 2007 and 2012, however, is the strong reduction in this advantage; on average in 2007, in Bosnia and Herzegovina those without a tertiary education were three times as likely to be unemployed as those with one, however, by 2012 those with only primary or secondary education were only around twice as likely to be unemployed as tertiary graduates – and in the Republika Srpska the unemployment rate of tertiary graduates was actually a little higher than for those with primary education or less. Although such descriptive statistics do not allow us to identify causal links between rising educational attainment and falling returns to tertiary education (i.e. higher unemployment rates associated with it), it is noteworthy that rising tertiary attainment in Bosnia and Herzegovina has been accompanied by a sharp increase in the unemployment rates of tertiary graduates. This is certainly clear evidence that raising educational levels will not of itself create employment. Opportunities for the more educated also have to exist or be created for this to happen.

Table 5 Distribution of the working age population by educational attainment, Bosnia and Herzegovina, Croatia, Macedonia and the EU; 2007 and 2012

	Primary or less (ISCED 0-2)	Secondary (ISCED 3-4)	Tertiary (ISCED 5-6)
<b>2007</b>			
<b>Bosnia and Herzegovina</b>	<b>47.6</b>	<b>45.9</b>	<b>6.5</b>
Federation of <b>Bosnia and Herzegovina</b>	46.7	46.7	6.6
Republika Srpska	41.8	45.1	6.3
<b>Croatia</b>	<b>27.2</b>	<b>59.2</b>	<b>13.6</b>
<b>FYR of Macedonia</b>	<b>41.3</b>	<b>47.0</b>	<b>11.6</b>
<b>European Union</b>	<b>32.9</b>	<b>46.5</b>	<b>20.6</b>
<b>2012</b>			
<b>Bosnia and Herzegovina</b>	<b>42.6</b>	<b>48.6</b>	<b>8.8</b>
Federation of <b>Bosnia and Herzegovina</b>	41.5	49.5	9.0
Republika Srpska	44.2	47.2	8.5
<b>Croatia</b>	<b>24.0</b>	<b>60.3</b>	<b>15.7</b>
<b>FYR of Macedonia</b>	<b>36.9</b>	<b>47.5</b>	<b>15.7</b>
<b>European Union</b>	<b>29.2</b>	<b>46.4</b>	<b>24.4</b>

Note: The table reports the percentages of the working age population in Bosnia and Herzegovina, Croatia, FYRoM and EU27 with, primary, secondary and tertiary levels of educational attainment.

Source: Bosnia and Herzegovina Labour force survey 2007 and 2012 and Eurostat database.

Table 6 Unemployment rates by educational attainment in Bosnia and Herzegovina, 2007 and 2012

	Total	Primary & less (ISCED 0-2)	Secondary (ISCED 3-4)	Tertiary (ISCED 5-6)
<b>2007</b>				
<b>Bosnia and Herzegovina</b>	29.0	31.2	31.3	10.7
Federation of <b>Bosnia and Herzegovina</b>	31.1	38.2	32.3	10.7
Republika Srpska	25.2	21.4	29.3	10.8
<b>2012</b>				
<b>Bosnia and Herzegovina</b>	28.0	26.9	30.6	17.9
Federation of <b>Bosnia and Herzegovina</b>	29.4	30.5	32.3	15.7
Republika Srpska	25.6	21.8	27.7	22.0

Note: The unemployment rate is defined as:  $100 \times \text{unemployed} / \text{labour force}$  (defined for each level of educational attainment).

Source: Bosnia and Herzegovina Labour force survey 2007 and 2012

## 2.4 Demographic trends

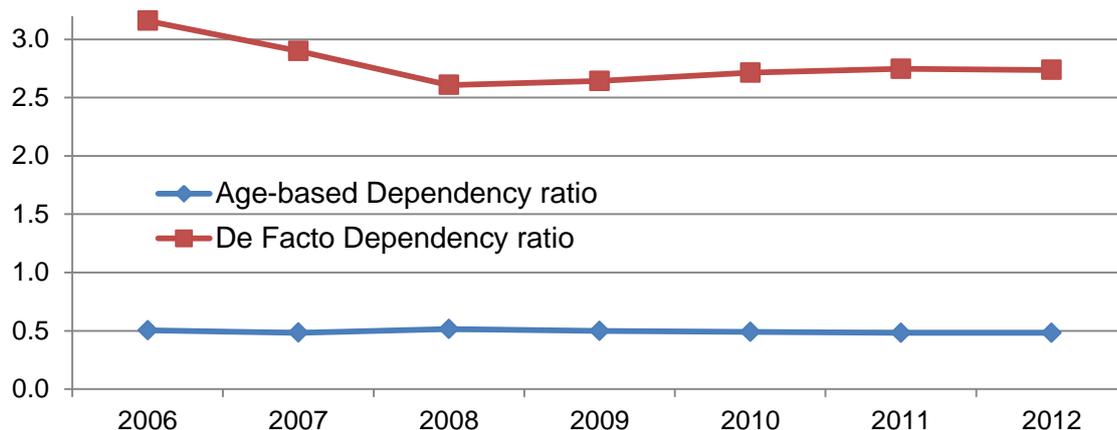
Concern has been expressed that the rapidly declining birth rate evident in Bosnia and Herzegovina over the last twenty years or so, combined with the strong tendency of young people to emigrate, will progressively worsen the dependency ratio (Khare et al., 2011). That is, in particular, the numbers of old people who will have to be supported by each person of working age will increase rapidly<sup>10</sup>. However, if one looks at what has been happening in this regard over the last few years (Figure 5), it is evident that this is not an immediate problem, at least as regards the dependency ratio as normally defined (population aged under 15 or over 64/population aged 15-64), this ratio has remained more or less constant at around 0.5 since 2006<sup>11</sup>. Of more immediate concern is what one might term the ‘de facto’ dependency ratio; that is, the ratio of the non-working population to the working population<sup>12</sup>. Given the very low employment rates, it is not surprising that the de facto dependency ratio is much higher than the traditional measure. Every worker is required de facto to support three persons who are not working. This is indeed a rather substantial number, however here too there has been not been much change in the situation over time. Indeed, following the pattern of employment and unemployment, the ratio fell significantly between 2006 and 2008 and then rose slightly after that.

<sup>10</sup> This is of course an issue of major concern in all industrialized countries.

<sup>11</sup> Indeed it has actually fallen very slightly from 0.50 in 2006 to 0.48 in 2012.

<sup>12</sup> Khare et al., 2011, call this the ‘actual dependency ratio’ as opposed to the ‘age-based dependency ratio’ which is the terminology used to describe the more traditional measure defined above.

Figure 5 Age-based and de facto dependency ratios in Bosnia and Herzegovina, 2006-2012

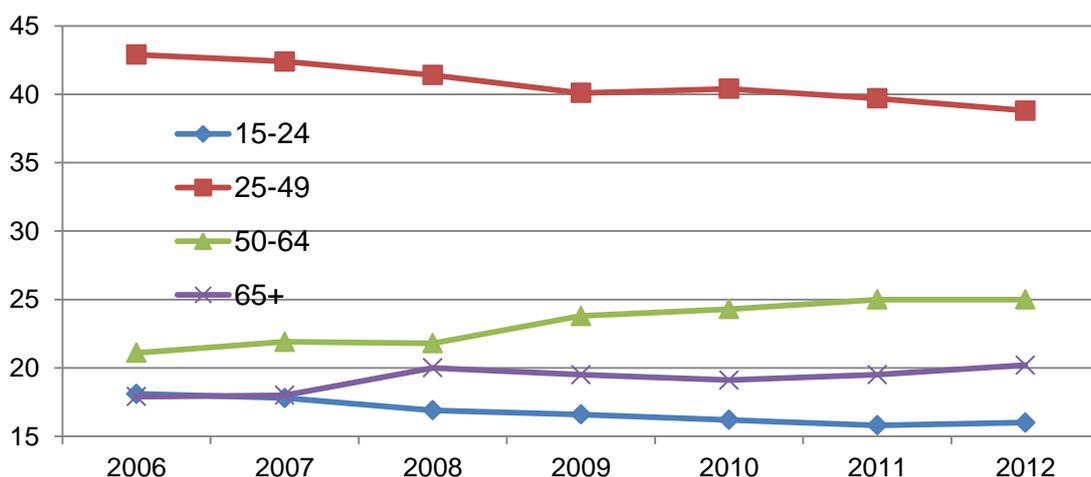


Note: 1) the age-based dependency ratio is the dependency ratio as traditionally defined: (population aged under 15 and over 64)/(population aged between 15 and 64); 2) The de facto dependency ratio is defined as: (the number of persons in the population who are not in employment)/(the number of persons in employment).

Source: Bosnia and Herzegovina Labour force surveys, various years.

Possibly of more immediate concern, is the age structure of the working age population itself (Figure 6). The young (15-24) and adult prime age group (25-49) have been shrinking fairly rapidly since 2006 whilst the older working age population (50-64) has been strongly increasing over the same period. The prevalence of the over-65s has also increased but at a more moderate pace. This suggests that the issue of the dependency rate will become more pressing in the near future. The proportion of young people in the population is relatively low and falling, presumably as a combination of falling birth rates and emigration, the latter exacerbated by the economic crisis. However, the lack of reliable migration data<sup>13</sup> makes it difficult to distinguish numerically between the two phenomena.

Figure 6 Age structure of the population aged 15 and over in Bosnia and Herzegovina, 2006-2012



Note: The figure reports the size of each age-group as a percentage of the population age 15 and over.

Source: Bosnia and Herzegovina Labour force surveys, various years.

<sup>13</sup> Official data (MS, 2012) states that a little over 4,000 persons emigrated from Bosnia and Herzegovina in both 2010 (4,282) and 2011 (4,059). Obviously, migratory movements are much greater than this as indeed the Ministry of Security's report recognizes. However, the official flows do perhaps give an indication of the trends in the characteristics of emigrants. In particular, there is an increasing trend in the emigration of young people which currently accounts for nearly one third of all officially registered emigrants.

### **3 Employment policy in Bosnia and Herzegovina**

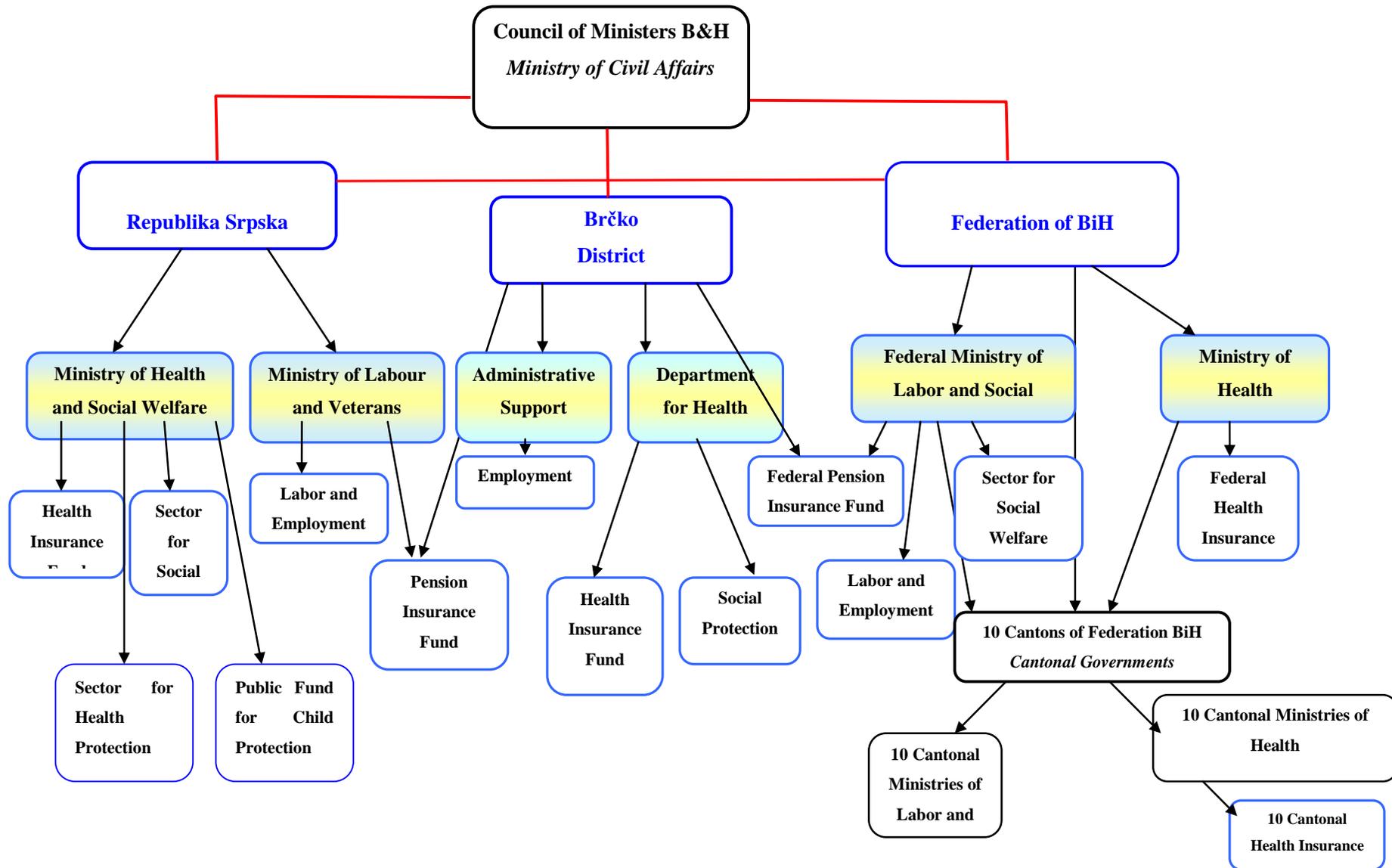
A national employment policy is a coherent framework of a country's employment objectives and ways to achieve them; it comprises all employment interventions and linkages to the relevant stakeholders. Practical implementation of employment policy requires the formulation of an employment action plan or strategy which outlines the course(s) of action to be taken, including outputs and outcomes, targets and indicators and a clear distribution of responsibilities of the various stakeholders involved (ILO, 2012).

The formulation of employment policy requires an informed analysis of the employment situation with solid diagnostics to justify the choices taken. It should have clear objectives and indicators, as well as the institutional mechanisms to implement, monitor and evaluate the policy (*ibid.*).

#### **3.1 The governance of employment policy in Bosnia and Herzegovina**

In analysing the design and implementation of employment policy in Bosnia and Herzegovina, it is important to have some understanding of the governance structure of governmental labour market structures. As in other areas, a State-level institution with few powers is complemented by entity, district, and, in the case of the Federation of Bosnia and Herzegovina, canton level decision making bodies which are actually responsible for formulating and implementing policy. The system is fragmented, with functions being assigned to different administrative levels with little coordination either horizontally, between the two entities and the District of Brčko, or vertically. The functions of the labour administration that fall under the jurisdiction of the entities and the District of Brčko include 178 institutions. At the State level, the Ministry of Civil Affairs and Labour as well as the State Employment Agency play a coordinating role for policy and implementation respectively. The development, implementation and enforcement of policies and laws take place at the entity and district level. Furthermore, responsibility for matters related to collective bargaining, labour inspection, working conditions, occupational safety and health and wages, are also decentralized to the entities and District of Brčko. Figure 7 provides a summary of the organizational structure. Within the Republika Srpska, functions and responsibilities for employment policy are centralized at entity level. However, in the Federation of Bosnia and Herzegovina, responsibility for a number of functions related to employment policy are decentralized to cantonal level.

Figure 7 Organizational structure of employment related policy in Bosnia and Herzegovina



## 3.2 Employment policy

### 3.2.1 State-level policy

In Bosnia and Herzegovina, the basis for the country's current national employment policy is to be found in the Draft Strategy of Development of Bosnia and Herzegovina, 2010-2014 produced by the national Directorate for Economic Planning (DEP, 2010a). Employment is the third strategic goal of the Development Strategy<sup>14</sup> which also identifies three major priority areas for intervention:

1. SME development and job creation;
2. Functioning of the labour market and active employment measures;
3. Labour market skills, education and training.

The Development Strategy identified the following major challenges to be faced under this strategic goal:

- A low activity rate of the working-age population
- A comparatively high number of 'discouraged' workers
- Long-term structural unemployment
- Insufficient job creation, primarily in the informal economy
- High underemployment
- Very limited access to jobs that are created
- The role of employment offices in matching supply and demand is limited due to their excessive work load in dealing with a large number of persons who are not actively seeking employment in the formal sector, and to the lack of job vacancies published by employers.
- The lack of harmonization between school curriculums and skills training programmes with market demand, along with poor availability of such curriculums and programmes
- Workforce mobility is below the level required by the single market notion under EU standards
- Social dialogue is poorly developed, which leads to unregulated labour relations, which, as employers point out, is the key barrier to faster job creation; active mediation in the labour market is not developed.

The identification of these challenges was the result of a situation analysis undertaken by experts in order to better define the nature of the challenges. This was followed by a series of workshops and consultations with the involvement of a full set of stakeholders including the social partners at State and entity level which led to the production of final draft Strategy. Ultimately, the employment pillar of the strategy largely confirms the issues identified by the ILO's Country Employment Policy Review undertaken in 2007 and 2008.

Within each area for intervention, a series of priority areas and accompanying measures were identified:

---

<sup>14</sup> In all, six strategic development goals were identified in the document; the other five were macroeconomic stability, competitiveness, sustainable development, EU integration and social inclusion. Given its importance, the last of these goals was developed in a separate draft strategy document considered briefly below and which also includes reference to employment. It should be observed that although the Development and Social Inclusion draft Strategies are the de facto reference point for policy at State level, they have never been formally adopted by the State Parliament and so have remained draft strategies.

## **1. SME development and job creation:**

### ***Priority 1. Improving the conditions for the development of existing SMEs***

*Measure 1: Development of instruments of financial support to SME development – essentially this concern the provision of access to credit on favourable terms.*

*Measure 2: Developing human resources in the field of consultancy and training support with regard to the provision of business development training*

### ***Priority 2: Improving conditions for the creation of new SMEs***

*Measure 1: Provision of financial support for the creation of new SMEs – again, essentially grants and access to credit on favourable terms*

*Measure 2: Encourage the development of business incubators*

*Measure 3: Development of human resources in consultancy and training services*

## **2. Functioning of the labour market and active employment measures:**

### ***Priority 1: Improved labour market flexicurity***

*Measure 1: Improvement and upgrading of the legislative and regulatory framework – this measure is rather curiously framed inasmuch it suggests a focus on removing gender discrimination and creating family friendly flexible working arrangements, yet the list of actions to be taken begins by stating that barriers preventing employers from dismissing workers should be removed and employment protection reviewed.*

*Measure 2: Improvement of social-economic dialogue and in particular the establishment of an economic and social council for Bosnia and Herzegovina.*

*Measure 3: Improvement of the functioning of the labour market institutions and in particular the mediation function of the public employment services*

*Measure 4: Improvement of the labour market statistical system*

***Priority 2: Improve management of active employment measures – this is particularly concerned with the underlying difficulty identified in financing ALMPs and is primarily concerned with more efficient operation of employment services***

*Measure 1: Strengthen organizational and administrative structures of employment offices in order to establish efficient ALMP management system*

*Measure 2: Improve the level of contacts and cooperation with employers and create new services for employers*

### ***Priority 3: Prevention of long-term and structural unemployment***

*Measure 1: Establish new training centres for accelerated skills upgrading and re-training programmes*

*Measure 2: Support to self-employment – here there is an implicit link to the measures proposed under SME development above.*

### 3. Labour market skills, education and training.

**Priority 1: Improve the dynamics of labour markets through the development of an entrepreneurial culture**

*Measure 1: Inclusion of entrepreneurial education programmes in all school curriculums*

*Measure 2: Promotion of public-private partnership in development and financing of entrepreneurial education infrastructure programmes in accordance with the life-long learning principle*

**Priority 2: Continue the reforms of secondary vocational education**

*Measure 1: Foster an environment that will encourage learning in educational institutions and development of teachers' professional competencies*

*Measure 2: Strengthening of institutions with the introduction of quality systems, dynamic evaluation and monitoring in secondary vocational education.*

Although the strategy does not contain explicit targets in terms of, for example, employment rates to be achieved by 2014, it does provide some benchmarking indicators which are reported here in Table 7. The reference benchmark for the Strategy is based on the average for four nearby EU countries (Bulgaria, Romania, Slovakia and Hungary). These provide implicit targets for Bosnia and Herzegovina's Strategy.

Table 7 Employment goal benchmark indicators for Bosnia and Herzegovina's Development Strategy

Goal: Employment	Base indicator value is benchmark i.e. EU 4 average = 100					
	Source	2006	2007	2008	2009	2010
Employment rate by gender	4	60	62	67	:	:
Men	4	72	74	79	:	:
Women	4	46	47	53	:	:
Activity rate, by gender	4	80	81	81	:	:
Men	4	91	93	92	:	:
Women	4	65	66	67	:	:
Unemployment rate, by gender	4	334	365	326	:	:
Men	4	318	348	304	:	:
Women	4	368	398	363	:	:
Employment of workers**	2	:	:	:	71	73
Employment difficulties **	2	:	:	:	38	45
Index of employment rigidity**	2	:	:	:	85	83
Entrepreneurial environment*	3	:	:	76	:	:
Higher education and training *	3	77	76	72	85	:
Labour market efficiency*	3	:	96	97	91	:
Brain drain *	3	:	:	88	69	:

Notes: 1) \*two-year indicator; \*\*population age 15-64; \*\*\*population age 15 and older. 2) The value for Bosnia and Herzegovina is expressed as an index with the values of the EU4 benchmark countries (Bulgaria, Romania, Slovakia and Hungary) set to 100. 3) Original data sources: 2 = World Bank-Doing Business online data base; 3 = World Economic Forum; 4 = Statistical Office of Bosnia and Herzegovina (ARS).

Source: reproduced from DEP (2010a, table 10, p. 80).

The promotion of employment is also identified as sub-goal 1 of the country's Social Inclusion Strategy (DEP, 2010b)<sup>15</sup>. The Social Inclusion Strategy was, as noted above, developed as a separate document. However it was initially proposed as one of the six strategic goals of the country's Development Strategy outlined above. As might be expected, the focus of the employment goal of the strategy is on vulnerable groups, those particularly at risk of social exclusion and, in this regard, mention is made of the high unemployment and inactivity rates as well as the extensive involvement of the population in the informal economy.

The strategy includes Action Plans at national and entity level covering the same priorities and measures but with different specific activities linked to each of the measures. Table 8 summarizes and compares the activities envisaged at state and entity level. The table illustrates some of the obstacles and issues involved in the formulation and, above all, implementation of a national employment strategy. Whilst the stated priorities and measures are standardized at national and entity level, clearly the focus of the activities varies across the two entities and there also appears to be a degree of competition with essentially very similar activities being included under different priorities and/or measures in the two entities. In any event, the activities on employment envisaged by the Social Inclusion Strategy are significant precisely because they allow an initial comparison of the divergence between entities.

Table 8 Activities envisaged by the employment goal of the social inclusion strategy at state and entity level

Priority 1: Ensure inclusion of the socially excluded categories in the active labour market			
Measure 1: <b>Medium-term planning of inclusion of socially excluded categories in the active labour market</b>			
Activity	BiH	FBiH	RS
Develop employment policy guidelines in compliance with EU employment guidelines	X	X	
Develop guidelines for defining gender-sensitive employment programmes in compliance with the recommendations of the UN Committee for CEDAW	X		
Develop guidelines in compliance with EU employment guidelines, to increase the economic activity of women and reduce the existing differences in wages and employment rate between women and men	X		
Develop guidelines for setting up a good governance body for labour and employment matters in line with the EU principles	X		
Set up new working bodies for labour and employment matters		X	
Develop guidelines to improve the employment position of youth in accordance with guidelines and recommendations of the EU Youth policy	X		
Conduct research on working conditions from the gender aspect in accordance with the relevant ILO Conventions and other international standards	X	X	
Develop the implementation programme of the Gender Equality Act in order to create equal opportunities for employment	X	X	
Develop the implementation programme of the GAP pertaining to "harmonisation of family and business obligations respecting the principle of gender equality"	X		
Set up records of unemployed Roma, respecting the principle of gender equality	X	X	
Prepare the analysis of the legal framework of labour and employment with special reference to improvement in employment of returnees and displaced persons	X	X	X
Provide financial support for SMEs and family businesses of returnees and displaced persons			X
Define key internationally comparable indicators for monitoring of employment, taking into account the key indicators for monitoring the position of vulnerable groups	X	X	
Establish a system of monitoring of employment policies and programmes, and programmes of mediation and counselling		X	

<sup>15</sup> The Social Inclusion Strategy includes five other sub-goals: improving the position of family with children; improving education; improving health protection; improving pension policy; and, improving the position of persons with disabilities.

Improve monitoring of the sustainable return project by strengthening technical and human resources of regional centres	X	X	
Prepare the assessment of needs of persons in collective accommodation centres	X		
Establish a harmonised reporting system on labour and employment at cantonal level		X	
Develop and implement an action plan for the introduction of gender responsive budgeting		X	
Define and develop a syllabus for the introduction of the subject/course <i>Health education</i> based on and guided by the gender equality principle		X	
Develop employment programmes for persons with disabilities and other socially excluded categories based on the guidelines of the Strategy of Employment of the Republika Srpska			X

#### Measure 2: Develop a support system for social entrepreneurship

Activity	BiH	FBiH	RS
Develop guidelines for creation of environment for and development of social entrepreneurship in Bosnia and Herzegovina	X		
Develop measures of support for social entrepreneurship		X	
Develop a new strategy for SME development (in Republika Srpska)			X
Training in entrepreneurship and self-employment			X
Carry out the analysis of conditions in social entrepreneurship			X
Awarding grants to support associations of returnees, to maintain those associations that develop social entrepreneurship			X
Implement training workshops for associations of persons with disabilities on organisation and activities of social entrepreneurship			X

#### Measure 3: Develop self-employment programmes with incentive-related measures

Activity	BiH	FBiH	RS
Develop programmes and incentives for self-employment of returnee population and monitor their implementation <sup>1</sup>	X	X	X
Develop the key monitoring indicators of success of self-employment programmes for returnees	X		
Promote programmes of self-employment for returnees and displaced persons	X	X	
Implement programme of sustainable return			X
Propose changes and amendments to tax policy regulations			X
Provide for training on entrepreneurship and self-employment			X

#### Measure 4: Social protection system reform in the function of encouraging active job-seeking measures

Activity	BiH	FBiH	RS
Define and introduce measures for prevention of dependence on social benefits and other welfare payments for all persons		X	
Determine the number of real and potential returnees in Bosnia and Herzegovina by gender		X	
Carry out the assessment of needs of persons in collective accommodation centres and alternative accommodation		X	
Propose the new law on social protection and change other relevant regulations			X

### Priority 2: Ensure access to all assets, services, resources, and rights that will improve active participation in the labour market

#### Measure 1: Improve active labour market instruments for inclusion of socially excluded categories

Activity	BiH	FBiH	RS
Develop a programme of employment of Roma respecting the principle of gender equality	X	X	X
Develop programmes for long-term unemployed persons		X	
Develop re-training and additional training programmes for members of the groups at risk of social exclusion			X
Develop new forms of counselling services for unemployed and long-term unemployed persons			X
Develop key indicators for monitoring success of the employment and training programmes			X

#### Measure 2: Ensure adequate information systems for socially excluded persons on public programmes supporting social and labour integration of the socially excluded categories

Activity	BiH	FBiH	RS
----------	-----	------	----

Promote programmes of employment and self-employment of returnees and displaced persons	X		
Promote public programmes of employment and self-employment as well as training of socially excluded persons		X	
Foster information provision for the socially excluded categories on the employment projects			X

**Priority 3: Strengthen social dialogue mechanisms and develop partnerships and participation of all relevant actors at different levels**

**Measure 1: Development of and support for the introduction of the mechanisms of public, private and civil partnership in financing of the social inclusion programmes**

Activity	BiH	FBiH	RS
Adopt the law on public-private partnership		X	
Develop guidelines and criteria for cooperation between public and civil sector in joint financing of the social inclusion projects			X

**Measure 2: Enhancing policies of social inclusion, social protection, equality, equal opportunities and respect for diversity**

Activity	BiH	FBiH	RS
Develop individual operational programmes for improving the position of individual groups of beneficiaries in the social protection system (children without parental care, persons with disabilities, elderly persons, etc.)			X
Develop a strategy for enhancement of social protection in the Republika Srpska			X
Ensure equality, equal opportunities and respect for diversity through the employment projects			X

**Measure 3: Establish the institutional framework for the improvement of economic and social dialogue in Bosnia and Herzegovina, in compliance with the EU principles**

Activity	BiH	FBiH	RS
Develop guidelines of framework for the strengthening the role of social partners in compliance with the EU recommendations and guidelines	X	X	
Strengthen the influence of the social partners in the process of formulating, monitoring and implementation of the public policies and programmes for vulnerable categories in line with the EU guidelines for improvement of social dialogue			X
Strengthen the capacities of social partners		X	
Enhance the already established social dialogue			X

**Priority 4: Improve targeting of social transfers to the poor and vulnerable categories of population**

**Measure 1: Develop the system based on the real needs of beneficiaries, improve systems of registration of beneficiaries and permanent monitoring of their needs**

Activity	BiH	FBiH	RS
Improve the administrative system of data collection, monitoring and evaluation of social protection		X	
Improve databases and registers pursuant to Article 18 of the Gender Equality Act		X	
Develop the legal prerequisites for the introduction of the social security threshold (social minimum)			X
Define the indicators and create a methodology to identify the minimum needs of beneficiaries			X
Create a network of existing databases on beneficiaries and upgrade these databases in the different social benefits systems			X
Develop analytical instruments for monitoring the social needs of the social beneficiaries			X

**Measure 2: Strengthen Social Work Centres and develop a mixed social protection system and its non- institutional forms in local communities**

Activity	BiH	FBiH	RS
Develop capacities of social protection service providers at local level		X	
Carry out the survey and develop a study on the conditions of the social protection system of the Republika Srpska			X
Develop and implement programmes of development of Social Work Centres			X

Implement educational/training programmes in order to strengthen the managerial competencies and improve quality of professional work of the Social Work Centre staff			X
Standardize work of the social protection institutions and services			X
Establish social protection commissions in municipal assemblies			X
Open day-care centres for different groups of social protection beneficiaries at local community level			X
Change and amend the Budget Act in order to define mandatory allocations for the social protection system at the the Republika Srpska and municipal level			X
Allocate funds in the the Republika Srpska budget for support to social protection innovation and development projects			X
<b>Measure 3: Develop social protection networks by strengthening inter-sectoral cooperation with health, education, labour market institutions and NGOs</b>			
<b>Activity</b>	BiH	FBiH	RS
Promote an integrated approach to social protection at local community level			X
Develop a protocol of inter-sectoral cooperation on different social protection needs of beneficiaries			X
<b>Measure 4: Develop active social protection and social services oriented towards the prevention of social exclusion</b>			
<b>Activity</b>	BiH	FBiH	RS
Carry out continuous surveys of social exclusion conditions of the population in the Republika Srpska			X
Develop counselling activities in different institutions for groups at social risk			X

Notes: 1) The Republika Srpska text contains no mention of monitoring of these programmes. Key to abbreviations: BiH – Bosnia and Herzegovina; FBiH - Federation of Bosnia and Herzegovina; RS - Republika Srpska:

Source: Constructed on the basis of the State and entity level action plans for social inclusion included in DEP (2010b, appendices).

Immediately subsequent to the establishment of the Development and Social Inclusion Strategies, the State level Employment Strategy 2010-2014 was produced by a Coordinating Committee under the auspices of the State-level Ministry of Civil Affairs (MCA)<sup>16</sup>. The Co-ordination Committee involved governmental institutions at State, Entity and District of Brčko level as well as representatives of workers' and employers' organizations<sup>17</sup>.

<sup>16</sup> In fact, this was being produced in parallel with the overall development strategy. Here too, there was a consultative process with involvement of the stakeholders and a series of seminars and workshops to hammer out the strategy with support from the ILO.

<sup>17</sup> Specifically, the Co-ordinating Committee responsible for drafting the Strategy comprised representatives of, for *Bosnia and Herzegovina*: the Ministry of Civil Affairs BiH, Department of Labour, Employment, Social Protection and Pensions and Department of Education, Ministry of Finance and Treasury, Ministry of Foreign Trade and Economic Relations, Department for Policy, Food and Agriculture Coordination, Department for Entrepreneurship, Directorate for Economic Planning, Labour and Employment Agency, the Bosnia and Herzegovina Trade Union Confederation and the Association of Employers of Bosnia and Herzegovina; for the *Federation*: Ministry of Labour and Social Affairs, Ministry of Energy, Mining and Industry, Ministry of Agriculture, Water Management and Forestry, Ministry of Education and Culture, Federal Employment Institute; for the *Republika Srpska*: Ministry of Labour and Veterans and Disability Protection; , Ministry of Industry, Energy and Mining, Ministry of Agriculture, Forestry and Water Management, Ministry of Education and Culture, the RS Employment Institute; for the *Brcko District Government*: Department of Economic Development, Sport and Culture, Department of Agriculture, Forestry and Water Management Department of Education, , , the the Employment Institute of the Brcko District,.

The overall objective of the employment strategy is:

“to increase the quality and quantity of jobs while promoting social inclusion and combating inequality between the genders,” (MCA, 2010, p. 36).

The employment strategy identifies seven major challenges facing the Bosnian labour market:

1. Lack of strong and wealth-creating employment growth;
2. Weak labour market outcomes, particularly for vulnerable groups, low activity rates and employment (especially for women), high unemployment (particularly youth and unskilled workers);
3. Low level of labour force mobility;
4. High level of employment in the informal economy;
5. Inadequate human resources development;
6. Limited capacities of policies and labour market institutions;
7. Lack of social dialogue in the field of employment.

In line with the country’s development strategy, the employment strategy identifies three main priorities and, within each priority, broad ‘measures’ or statements of how this is to be achieved. Specifically, the priorities and related ‘measures’ to be taken are as follows:

**Priority 1: Promote inclusive and job-rich growth and reduce the deficit of productive employment and decent work**

*Measures:*

- 1.1. Improve the business environment and support the establishment and development of small and medium-sized enterprises.*
- 1.2. Reduce employment in the informal economy and facilitate the formalization of economic activities*
- 1.3. Make productive use of cash remittances from abroad*
- 1.4. Foster local economic development, and strengthen social dialogue at local level*

**Priority 2: Improve the employability of women and men, in particular the most vulnerable groups**

*Measures:*

- 2.1. Adapt the vocational education and training system to the requirements of the labour market*
- 2.2. Implement the legal and institutional framework for establishing a system for adult education and training*
- 2.3. Include entrepreneurial education programmes in educational programmes*
- 2.4. Establish cross-sectoral cooperation between the social partners in education*

### **Priority 3: Improve the effectiveness, efficiency and management of policies and labour market institutions**

*Measures:*

- 3.1. Improve the preparation, monitoring and evaluation of interventions in the labour market*
- 3.2. Increase the availability of active measures, especially for the long-term unemployed, disadvantaged youth and the low-skilled*
- 3.3. Modernize and improve the capacity of employment services for the efficient and effective development and implementation of labour market interventions*
- 3.4. Activate passive interventions in the labour market*
- 3.5. Improve the statistical system for the purpose of improved creation, implementation, monitoring and evaluation of policies and labour market programmes*

Within each measure, a series of interventions are identified with the aim of fulfilling the goals specified by the ‘measures’.

The employment strategy also specifies that the functions of implementation, supervision, monitoring and evaluation of the strategy will be undertaken at entity and district level. Indeed, the strategy as it stands is very general and it is left to the entities and District of Brčko to formulate policies and programmes to implement it. Funding of the strategy is also left to the entity and district level. The strategy also specifies three general targets:

- Annual increases in employment rates of 2%;
- Annual increases in female employment of 2.5%; and,
- A reduction in youth unemployment to 30% by 2014.

Thus, the State-level employment strategy involves a rather general statement of policy goals and types of intervention envisaged without entering into the practical details of how the policy is to be implemented. This is in line with the existing governance structure for employment-related matters which are under the jurisdiction of the entities and District of Brčko who were to formulate ‘action and operational plans’ to implement the strategy. Each was to produce an annual action plan and an annual evaluation report on the results achieved which would then be submitted to the Ministry of Civil Affairs.

However, neither the entities nor the District of Brčko have adopted the State-level employment strategy; both the entities have developed their own employment strategies. The Federation of Bosnia and Herzegovina had already adopted its Employment Strategy 2009-2013, before the State-level strategy was produced and the Republika Srpska adopted an Employment Strategy for 2011 -2015 in 2011. In both cases these serve as a reference for the entity level. The District of Brčko has yet to adopt any employment strategy.

#### ***3.2.2 Employment policy in the Federation of Bosnia and Herzegovina***

As noted above, the Federation of Bosnia and Herzegovina adopted an employment strategy in 2009 covering the years 2009-2013. The strategy specifies six strategic goals:

1. To stimulate growth, employment and improve the quality of jobs.
2. Ensure inclusive labour markets, through the prevention of long-term unemployment, inactivity, social exclusion and poverty, among the working age population.
3. Improve the coordination of supply with labour market needs.

4. Increase and improve investment in human capital and adapt systems education and training of the new requirements of the labour market for knowledge and skills.
5. Strengthening social and territorial cohesion through the development of entrepreneurship.
6. Strengthen institutional capacity and socioeconomic dialogue in the field of employment.

With the exception of the first strategic goal which merely emphasizes the necessary macroeconomic and financial preconditions for a successful employment strategy, each strategic goal contains a list of programmes or actions, target groups and expected results, usually in the form of targets. The strategy was developed by the Ministry of Civil Affairs, again as the result of a consultative process. Before its adoption, the strategy was submitted to the Federation of Bosnia and Herzegovina Economic and Social Council<sup>18</sup> for comment.

On the basis of the Federation of Bosnia and Herzegovina Employment Strategy 2009-2013, an Action Plan for employment 2010-2013 was developed. This then formed the basis for the development of annual work plans which also contain a report on the previous year's activities.

### *3.2.3 Employment Policy in the Republika Srpska*

As noted above, the Republika Srpska adopted an Employment Strategy for 2011-2015 in 2011. Like the Federation of Bosnia and Herzegovina strategy, the Republika Srpska employment strategy is based around five strategic objectives:

1. stimulating economic growth, increasing employment and job quality,
2. increasing productivity and quality through the development of human potential,
3. improving the balance between supply and demand for labour,
4. increasing participation in the labour market by preventing long-term unemployment, inactivity and social exclusion and poverty among the working-age population, especially disadvantaged groups ;
5. expansion of institutional capacity and implementation of dialogue among stakeholders in the area of employment.

Again, annual work plans and reporting on activities have been developed on the basis of the strategy.

### *3.2.4 A comparison of the strategies*

Since both national and entity-level governments make direct reference to similar sources in the development of strategy, the three documents have similar general considerations. Table 9 provides an overview of the priorities/goals of each of the strategies. There is evidently general agreement about where the problems lie, although the two entity-level strategies place differing emphasis on specific aspects.

---

<sup>18</sup> At entity level, the Economic and Social Council is the forum for formal involvement of the social partners in the policy making process. Although playing an 'advisory' role, approval by the Council is important, albeit not legally necessary, for policies to be approved by the entity's parliament. This issue is discussed further below.

Table 9 A comparison of priorities/goals at State and Entity level

Bosnia and Herzegovina	The Federation of Bosnia and Herzegovina	the Republika Srpska
1. <b>Promote an inclusive and job-rich growth and reduce the deficit of productive employment and decent work</b>	<ul style="list-style-type: none"> <li>• Stimulate growth, employment and improve the quality of jobs.</li> <li>• Strengthening social and territorial cohesion through the development of entrepreneurship.</li> </ul>	<ul style="list-style-type: none"> <li>• Stimulating economic growth, increasing employment and job quality.</li> </ul>
2. <b>Improve the employability of women and men, in particular the most vulnerable groups</b>	<ul style="list-style-type: none"> <li>• Increase and improve investment in human capital and adapt systems education and training to the new requirements of the labour market for knowledge and skills.</li> <li>• Ensure inclusive labour markets, through the prevention of long-term unemployment, inactivity, social exclusion and poverty among the working age population.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase productivity and quality through the development of human potential.</li> <li>• Increase participation in the labour market by preventing long-term unemployment, inactivity and social exclusion poverty among the working-age population, especially disadvantaged groups ;</li> </ul>
3. <b>Improve the effectiveness, efficiency and management of policies and labour market institutions</b>	<ul style="list-style-type: none"> <li>• Strengthen institutional capacity and socioeconomic dialogue in the field of employment.</li> <li>• Improve the coordination of supply with labour market needs.</li> </ul>	<ul style="list-style-type: none"> <li>• expansion of institutional capacity and implementation of dialogue among stakeholders in the area of employment.</li> <li>• improve the balance between supply and demand for labour,</li> </ul>

### 3.2.5 International donors

Since the end of the war in 1995, there has been continuous and fairly intensive involvement of international agencies and individual national governments in the development of Bosnia and Herzegovina. In the current context, this is relevant in as much as a substantial portion of the elements of employment policy in the country are dependent upon international support programmes . The ILO has been particularly active at policy level and the ILO's Country Employment Policy Review (ILO, 2009) has clearly been influential, and was much relied upon, in providing the analysis for the State-level employment strategy. This support has continued with labour market diagnostic analysis (Khaere et al., 2011) and the development and signing of the Decent Work Country Programme 2012-2105. A number of donor-funded interventions have also been, and are being, implemented to directly improve the functioning of the country's labour market; in particular, the EU, the World Bank, and the national aid agencies of Austria, Germany and Switzerland all have substantial projects in this area. This is important, *inter alia*, because the funding of ALMPs (discussed below) comes principally, and is effectively a residual, from the same budget as passive LMP and this tends to place strict limits on the availability of funds for ALMPs. This has led to effective dependence on international donors to fund them. Consequently, it has also clearly influenced the specific measures developed by the entities in their work plans.

## 4 Employment policy implementation mechanisms

A general comment is that the measures envisaged under the employment strategies at both national and entity level are concerned with labour market policy, rather than employment policy more generally, although they do make reference to issues related to economic growth and education. Consequently, the discussion which follows is primarily focused on the work of the employment services.

### 4.1 Coordination

In principle, the structure of employment policy decision-making is clear. At State level, the Department for Economic Planning is responsible for preparing the overall development strategy. It includes an important role for employment policy, defined as matters pertaining to the increase in the quantity and quality of work. Also at State level, the Ministry of Civil Affairs has responsibility for employment policy; however, it has no jurisdiction to actually implement policy. In principle, it develops an overall strategy for employment, which is then to be implemented by the entities and the District of Brčko. In practice, however, the entities, but not the District of Brčko, have developed their own employment strategies which make no explicit reference at all to the national employment strategy.

A State-level coordinating committee was to be established on a permanent basis and would meet annually, or, if necessary, more frequently, to discuss common problems and measures to address these problems in the areas of employment and common problems in the implementation of this Strategy. The coordinating committee would be composed of two representatives of the Ministry of Civil Affairs of Bosnia and Herzegovina (one from the employment department and the other from the education department, provided that the chairman of the coordinating committee is a representative of the employment department), a representative of the Labour and Employment Agency of Bosnia and Herzegovina, one representative of each entity ministry responsible for employment and employment institutes, one representative of the Government of the Brčko District and one of the employment institute of the Brčko District, and two representatives of each of the social partners (two representatives of workers' associations and two representatives of employers' associations at state level). Technical assistance to the coordinating committee would be provided by the Ministry of Civil Affairs of Bosnia and Herzegovina.

In practice the State-level institutions, both the Ministry of Civil Affairs and the accompanying State Employment Agency, which is the counterpart of the State-level employment agencies which themselves are responsible for administering passive and active labour market policies, act as umbrella organizations with no formal implementing power. They act as interlocutors both horizontally between the entities and as an intermediary in formal relations with the EU and the entities. Their role as 'coordinators' of employment policy is essentially one of collecting and collating information from the entities and submitting it to international bodies to fulfil reporting requirements, although here, too, the entities sometimes assume a direct role<sup>19</sup>.

Whilst in the Republika Srpska, entity level employment policy and the organization of employment services is centralized, in the Federation of Bosnia and Herzegovina, there is a further layer of autonomous decision-making at cantonal level.

---

<sup>19</sup> For example, the response to the 2009 Direct Request to the Government by the ILO's Committee of Experts on the Implementation of the ILO Employment Policy Convention, 1964 (No. 122) was provided by the two entity governments, rather than the State-level Ministry of Civil Affairs.

## 4.2 Targets

The entity-level strategy documents contain explicit targets regarding both overall improvements expected from the strategy as well as, particularly in the case of the Federation of Bosnia and Herzegovina, fairly detailed individual targets for each specific intervention. Thus, the Federation's strategy for 2009-13 proposes that between 2007 (the benchmark year used in the strategy) and the end of 2013, the overall employment rate will be increased from 31.8% to 50%; the female employment rate from 21.1% to 40%; the employment rate of older workers from 28.3% to 35%; the unemployment rate will fall from 25% to 15%; and the 'inactivity' rate<sup>20</sup> will be reduced from 57.6% to 35%. Amongst the more specific 'expected results' from specific interventions, the long-term unemployment rate was also to be reduced from 31.3% to 20%<sup>21</sup>.

Whilst the specification of explicit targets for employment policy is to be welcomed, some comments are in order. The baseline figures refer to 2008 not 2007. More importantly, it is not at all clear from the strategy how these goals are to be achieved. The strategy includes a general statement of the types of measures to be implemented for each identified problem and target group; however, there is no analysis of why this should lead to the desired targets. It is fairly obvious to any informed outside observer that these targets are completely unrealistic. They also go way beyond the more modest targets set at State level which, applied pro rata to the Federation of Bosnia and Herzegovina (and assuming the interpretation given in notes 14 and 15 is correct), would imply an increase in overall employment rates of 10 percentage points, i.e. from 32% to 42% and in female employment rates of 15 percentage points, i.e. from 21% to 36%. In practice, not only have the targets not been achieved, the situation often deteriorated or remained more or less constant, at least until 2012. The inactivity (activity) rate fell (increased) by 0.1 percentage point between 2008 and 2012, but the employment rate **fell** by 1.8 percentage points overall and by 0.8 percentage points for women. Similarly, the unemployment rate **increased** by over 4 percentage points between 2008 and 2012. One major gain has been recorded; the prevalence of long-term unemployment has fallen by around 5 percentage points although still over 80% of the unemployed have been out of work for more than a year. However, since unemployment has been increasing fairly rapidly over the period 2009-2012, which implies substantial new inflows into employment, the fall in long-term unemployment may be largely attributed to this rather than to any policy intervention<sup>22</sup>.

The Republika Srpska employment strategy 2011-2015 also specifies targets, although these tend to be more modest and fewer in number than those of the Federation. The strategy envisages an increase in the overall, female and older worker employment rates by 8 percentage points each between 2010 and 2015 and a reduction in the inactivity rate of 10 percentage points and of unemployment by 2.5 percentage points<sup>23</sup>. The context makes it clear that the numerical basis for the calculations is not the labour force survey<sup>24</sup>.

---

<sup>20</sup> That is,  $100 \times (\text{working age population} - \text{labour force}) / \text{working age population}$ .

<sup>21</sup> One might observe that this does not refer to the prevalence of long-term unemployment referred to above, which stood at around 87% in 2007 in the Federation of Bosnia and Herzegovina. One might suppose that it refers to the long-term unemployed as a percentage of the labour force as was, in the past, reported by the EU's annual *Employment in Europe* report. In fact, however, it appears to simply be an error – 31.3% was the unemployment rate in 2007 in the Federation and the long-term unemployment rate ( $100 \times \text{long-term unemployment} / \text{labour force}$ ) was actually around 27% at that time.

<sup>22</sup> See, for example, O'Higgins, 2010, for a discussion of the implications of rising unemployment for the prevalence of long-term unemployment.

<sup>23</sup> One might observe that in this case the targets are set below those specified at the State level of an increase in overall employment rates of 10 percentage points and a 15 percentage point rise in female employment rates.

<sup>24</sup> For example, the female employment rate, based on the labour force survey, in the Republika Srpska in 2010 was 28.6% not 38.3% as stated in the employment strategy.

Presumably, therefore, the figures refer to the registered employment and unemployment data. As has been frequently noted in this context, this is not a sound basis for this type of calculation. Registered employment is incomplete and registered unemployment does not correspond to the ILO definition of unemployment. Moreover, in the current context, since registration with the employment offices is necessary for access to free health benefits, and given the substantial informal economy in the entity, using the registered employed and, in particular, unemployed as a target is extremely dangerous, in that it is relatively easy to alter the registered data by changing the regulations for access, say, to health benefits. Whilst there may indeed be good reasons for doing this, such a change in regulations will plausibly, and substantially, reduce registered unemployment, but of itself, it will do little or nothing to improve the employment and wage prospects of the unemployed<sup>25</sup>.

More generally, the Republika Srpska strategy, like the Federation's, is rather vague about how the rather specific measures listed in the strategy are likely to lead to the desired outcomes. Indeed, although only two years have elapsed, the prospects of achieving the targets are not promising; employment rates fell both overall and for women between 2010 and 2012, although employment rates amongst older workers (in common with the Federation) increased by nearly two percentage points over the same period, and the overall inactivity (activity) rate increased (fell).

In conclusion, it may be added that none of the strategy documents specify the source of targets although each is based on an analysis of the current labour market situation. What is missing, as noted above, is the explicit scenario building, modelling or other basis for supposing that the actions envisaged by the strategies will lead to the outcomes specified.

### 4.3 Funding

Ministries of finance exist at both State and entity level. However, the funding of employment policy, as is made explicit in the National Employment Strategy, is primarily the responsibility of the entities. How this is to be done is left to the entities themselves. Indeed, one major drawback of the national strategy is that it does not specify the sources of funding for active labour market policies and other interventions which go beyond the more traditional functions of employment agencies, registration and administration of unemployment and related benefits. This may, perhaps, partly explain why the entities feel free to develop their own strategies. In general, the domestic funding of employment services including passive support to the unemployed, job-seeking assistance and active labour market programmes is primarily funded by unemployment insurance contributions at entity level, although the District of Brcko Employment Institute is funded from a wide range of sources including its general budget. In the Federation of Bosnia and Herzegovina, about 30% of funds are directed to the Federal Institute and 70% to cantonal services. Employment Services funds are spent for the following purposes:

- a) administrative costs of the institutes/services according to the annual financial plan,
- b) unemployment insurance benefits,
- c) active labour market programmes, if funds remain after deducting the costs of a) and b)

Access to the employment services is universal and registration as unemployed gives access to health benefits. This creates an additional incentive to register as unemployed including among those who are not actively seeking work. Partly as a consequence of this, but more generally because of the very high level of unemployment in the country, expenditure on active labour market programmes (ALMPs) has typically been very limited. In recent years a number of such programmes, as well as more general support to the

---

<sup>25</sup> See, for example, O'Higgins (2011) for a discussion of this and related issues in the Bosnian context.

country's various employment services, have been implemented by donor-funded projects. Indeed, although a breakdown of financial support for ALMPs is not provided in either the State or Entity annual reports, it would appear that almost all of them as well as much of the development of the job placement functions of the employment services have been financed by international donors.

#### 4.4 Monitoring and evaluation

A key element in the design and subsequent modification of labour market policies is monitoring and evaluation. This relies in the first place on an established labour market data (collection system in order, for example, to identify the appropriate target group for intervention. Once programmes are actually implemented, monitoring of the programmes (sometimes called process evaluation<sup>26</sup>) can be used to ensure, for example, that programmes reach the designated target group, that programme costs are kept within target limits, that a target proportion of participants complete programmes and subsequently find employment. Where these targets are not met, further consideration can be given to why this is so and corrective action adopted. The central elements are: firstly setting targets, which must be realistic and realizable given the resources allocated to the programme. Secondly, the collection of information is necessary to allow the process evaluation to take place. Both of these are very obvious, if fundamental, points. However, experience shows that the importance of their role is clearly underestimated in the implementation of youth labour market policies in many countries.

Perhaps of most importance is the post-programme evaluation of programme impact. This is beginning to be implemented in the EU-NMS countries as part of the European Employment Strategy which sees evaluation as key tool. Evaluation is at least as important as monitoring. It is through impact evaluation that one may gain an understanding of what the effects of the programme actually are. Essentially, impact evaluation seeks to compare the experiences of participants in programmes with what would have happened in the absence of the programme<sup>27</sup>. This in itself is not an easy exercise and much ink and effort have been employed to develop and refine the methodology. However, the crucial element is that the experiences of programme participants are compared with a like group of people<sup>28</sup> who act as a proxy for the experiences of participants in the absence of the programme.

Monitoring and evaluation functions linked to the employment strategies of Bosnia and Herzegovina are extremely limited. Thus far, even donor-funded projects have not included any form of impact evaluation, although of course, they have been subject to the evaluation procedures envisaged for all donor-funded projects. National and entity level monitoring and evaluation is largely confined to reporting the numbers of participants and expenditures on each project. This does not include consideration of the reasons, where relevant, why programme numbers fell short of expectations, nor does there appear to be any follow-up of participants once the programmes are completed and, consequently, no information on post-programme placement let alone impact evaluation.

---

<sup>26</sup> Auer & Kruppe define monitoring as the "regularly conducted observation of statistical indicators of labor market policy input/output and performance (outcome) for the purpose of improving programme implementation and even programme design," (Auer and Kruppe, 1996, p. 901).

<sup>27</sup> More details can be found in O'Higgins (2001, Chapter 5) and/or Grubb and Ryan, 1999. There are also several practical handbooks on the implementation of impact evaluation; for example, Khandker et al., 2010.

<sup>28</sup> Typical examples are the programme participants before participation or other young people who do not participate in the programme. More recently, attention has turned to experimental methods involving the random selection of programme participants from a larger group of eligible persons. Discussion of this goes beyond the scope of this paper. For more details see the works on evaluation cited above.

Moreover, although the overall entity-level employment strategies specify targets, in terms of employment rates and so on, these are largely unrealistic, particularly in the case of the Federation of Bosnia and Herzegovina, and are not linked to specific programmes nor, as noted above, are the mechanisms for the realization of the targets specified. Similarly, there is no real analysis of the targeted outcomes, that is, a general assessment of the contribution of the programmes to reducing unemployment or increasing employment. Thus, monitoring is not related to ex ante target setting and so its usefulness as a device for the revision and reformulation of employment policy is consequently rather limited.

#### **4.5 The role of the social partners**

The need to develop the role of workers' and employers' organizations in the formulation and implementation of employment policy is formally recognized in all the strategy documents examined. In practical terms, the means of participation of social partners in the policy formulation process is encapsulated in the economic and social councils (ESCs), established at entity level around the turn of the millennium<sup>29</sup>. These institutions are consultative bodies which have equal representation of government, workers' and employers' organizations. As yet, however, it has not proved possible to establish such a body at national level although, as mentioned above, the National Employment Strategy is overseen by a coordinating committee which includes representatives of workers' and employers' organizations.

At entity level, the ESCs play a consultative role. They review and express opinions on draft legislation, but they do not play a formal role in its formulation, nor do they have a right of veto over initiatives undertaken autonomously by government. Nevertheless, it has become regular practice to take account of their views and opinions in the formulation of policy. Indeed, when the Government of the Federation of Bosnia and Herzegovina sought to bypass the ESC in overturning the existing collective agreements on wages and benefits in order to reach agreement on the IMF loan in January 2010, protests organized by the Confederation of Independent Trade Unions of Bosnia and Herzegovina led to the adoption of an agreed compromise solution. However, as regards employment policy, concerns have been expressed, including in the Strategy documents themselves, regarding the capacity of the social partners to participate actively in the process. More specifically, as things stand, the social partners have neither the internal capacity nor the financial standing to employ external experts to contribute substantively to the development of employment policy. Indeed, the development, social inclusion and employment strategies themselves all make explicit reference to the priority of capacity building of the social partners in employment policy. Indeed, the Decent Work Country Programme for Bosnia and Herzegovina 2002-2015 agreed with the ILO also emphasizes capacity building among workers' and employers' organizations as a priority area for co-operation.

#### **4.6 Employment strategy, labour market policy and international donors**

As noted above, in both the Federation of Bosnia and Herzegovina and the Republika Srpska, primacy in labour market policy, both in terms of national funding and the functioning of the employment services, is awarded to the administration of passive labour market policy, the registration of the unemployed, and the payment of benefits. Both the development of the job placement services of employment agencies and the introduction of

---

<sup>29</sup> Specifically, the Economic and Social Council of the Republika Srpska was established in 1997 by agreement between the social partners and was subsequently recognized and regulated by law in 2008. The possibility of establishing economic and social councils at the entity and cantonal level in the Federation was established by law in 1999 and the Council itself was established at entity level in 2002 and subsequently also councils have been established at the cantonal level. The Economic and Social Council of the District of Brcko was established in November 2011.

active labour market policies have largely been implemented with the funding from and under the aegis of international donors.

Several donor supported projects are worth mentioning specifically. Since, 1995 the EU has been active through its OBNOVA, CARDS and, since 2007, its IPA (Instrument for Pre-accession Assistance) programmes. Total assistance awarded in the period 2011-2013 was €314 million of which just over €90 million was allocated to the areas of private sector development and social development, both of which have elements directly concerned with the country's employment strategy. The private sector development element includes measures to help develop the country's SME sector, whilst the social development programme seeks, inter alia, to support the development of vocational education and training in the country.

As regards labour market policy, the World Bank has been providing support through the social safety net and employment support project which comprises a \$15 million interest-free development loan over the period 2000-2014, over half of which is allocated to the development of employment services for the unemployed, particularly amongst vulnerable groups. The project is expected to reach around 10,000 such beneficiaries over its lifetime. However, such monitoring information as is provided by the State Employment Agency (SEA) suggests that even this modest number is not being met. According to the 2011 Employment Policy Review produced by the SEA (SEA, 2012), in that year just over 1,300 (just under 12,00 in the Federation of Bosnia and Herzegovina and just over 100 in the Republika Srpska) persons received assistance in terms of subsidized employment, self-employment or training for employment. Although the reporting by the two entities is not entirely consistent or clear, it would appear, for example, that in the Federation, the Federal Employment Agency has spent around 1.5 million KM (around €750,000) to support the employment or training of 1,189 persons or around €630 per assisted person. Unfortunately a breakdown of the expenditure by type of support is not available, nor, as noted above, is there any indication of how many of the assisted persons either remained in employment, self-employment or obtained employment (in the case of training) once the supported action was completed, never mind any kind of impact evaluation based on post-programme outcomes.

Several internationally funded programmes have in recent years promoted the employment of young people. The Youth Employment Project sponsored by the Swiss Agency for Development and Co-operation (SDC) was initiated in 2008 and originally planned to operate until 2011. The project appears to have operated successfully and so a second phase of the project began in 2011, again running for three years until 2014. The first phase comprised of four components:

*Component 1 – New entrants' employability:* This element aimed to prepare young people in their final year of secondary school for their entry into the job market. Activities included the delivery of a multi-module career management programme within the existing school curriculum through trained teachers and the provision of careers management centres, to enhance skills regarding choice of career, job seeking and interview techniques. The activities are implemented in selected secondary schools in six cities.

*Component 2 – Employability and employment of marginalized groups:* This was concerned with providing job seeking assistance and training for recent school graduates and young unemployed. Job clubs, operating in the public employment service in Banja Luka and Tuzla respectively, provided long-term unemployed youth with support for entry into work.

*Component 3 – Institutional development of public and private employment services:* Cooperation between private and public employment agencies is at the centre of this element. The aim was to shift the focus of public employment services away from passive measures (e.g. registration and administration of unemployment benefits) towards active

measures that focus on the demand side of the labour market (e.g. identifying employer needs, contacting employers, influencing employers,; managing and motivating target groups, and assessing local labour market needs. The element included also a mobile unit, providing career advice, CV writing and job seeking training. It enables the project to reach out to youth living in more remote locations and to offer a platform for contacts between employers, employment agencies and young jobseekers. The component also included activities aimed at improving capacities and changing perceptions of staff in the public employment agencies, including a trainer programme and training for managers, as well as institutional and organizational reform.

*Component 4 – Cross-cutting issues:* This component overarches the other three and their activities, the purpose being to ensure contribution of the youth employment programme to policy development and strategic planning in the youth employment sector, through a range of different activities, including policy dialogue, internal and external coordination and visibility of the project.

External evaluation<sup>30</sup> of the project provided very positive feedback and, as noted, the project was extended into a second phase. Project funding was of the order of CHF 3 million for each phase.

The second phase also places major emphasis on capacity building in the employment services. However, whereas the first phase organized around a series of local initiatives, phase 2 is particularly focused on the public employment services and employment policy development in Bosnia and Herzegovina at central level. Specifically, the priorities of phase 2 are:

1. **Building the capacities of the public employment services** with a view to strengthening their internal management and increasing their employment placement performance
2. **Reaching out to disadvantaged young people**, particularly long-term unemployed and young people from rural areas, with new instruments and initiatives to strengthen their employability and help them to find a job
3. **Influencing youth employment policy** by increasing the importance of this issue in the country's policy agenda and by raising public awareness.

The project appears to fit well with the country's overall employment strategy, and the focus on capacity building, particularly in the second phase, is important and will be discussed further below.

Between 2010 and 2013, the Youth Employability and Retention Programme (YERP) was implemented involving several UN agencies and coordinated by UNDP. The programme was a rather more substantial project than the youth employment programme mentioned above, with a total budget of \$6.75 million, 6 million of which was financed by the Spanish Government through the Millennium Development Fund (MDF). The main aims of the project were to:

1. Increase the capacities of the education system and local communities to improve youth employability;
2. Enhance the capacity of the public employment services and civil society to develop and deliver an integrated package of youth employability measures; and,

---

<sup>30</sup> Meier and Obradovic (2011).

3. Maximize the positive impact of youth migration and minimize the impact of illegal migration.

Here, too, a strong emphasis was placed on capacity building in educational institutions and public employment services in supporting the entry of young people into employment. However, although the evaluations of both the youth employment programme and the youth employability and retention programme were extremely positive, no impact evaluation of the projects has been carried out nor is any projected as part of future project actions.

## 5 Future perspectives on employment policies

It is less than twenty years since Bosnia emerged from a civil war which left the economy devastated and the people divided. The country bears the signs of that conflict still. However, major steps have been taken towards rebuilding the country. In the employment field, major steps have been taken towards establishing a soundly based national employment policy. National strategies for development, social inclusion and employment have been formulated based on a reasoned analysis of the labour market situation in the country. A labour market information system has been created and an annual labour force survey now provides the basis for accurate labour market analysis. There is broad agreement at national and entity level about the nature of the labour market problems facing the country and, albeit with some divergence on the appropriate priorities, about the steps needed to improve the functioning of labour markets and to increase decent work.

Yet some obstacles and difficulties remain to be overcome. Three major issues arise. The first concerns the general issues of governance in the country and is related to the division of the country into two separate and autonomous entities, the direct legacy of the civil war. In particular, the governance issues affect the coordination of the different elements of employment policy as a whole as well as coordination, or rather its absence, between entities which are *de facto* the policy-making level for employment matters. Although much progress has been made in terms of harmonizing laws and procedures across the two entities, there appears to be no immediate likelihood that formal responsibility for policy making and implementation will pass from entity to the national level. This has implications for national employment policy formulation. However, to an extent this has been overcome, or at least sidestepped, by the direct intervention of international agencies at entity level. Nevertheless, the fact remains that there is little formal coordination of employment policy across entities although, in practice, thanks also to the presence of internationally sponsored 'national' employment projects, the general approach to employment policy in the two entities is rather similar, as are the programmes which have been introduced. Coordination between relevant institutions is, however, also an issue.

A second issue concerns capacity at the policy-making and implementation level. Thus, for example, there appears to be little substantive involvement, for example, of the social partners in the policy formulation process. At national level, there is still no overall economic and social council, an institution which at entity level provides a forum for the involvement of the social partners in the policy process. However, entity level also, these councils are not directly involved in the formulation of employment policy. Rather, policy documents are formulated by the relevant governmental agency and circulated to the various stakeholders, including employers' and workers' organizations, for comment. One reason suggested for this is precisely the social partners' lack of capacity to participate actively in these forums. This issue has been recognized explicitly in the employment strategies themselves and steps are being taken to build capacity, in particular with the support of the ILO.

The lack of adequate capacity also concerns the institutions charged with formulating and implementing employment policy. This issue is also well known to international agencies, as well as to the national authorities and again reference to it is explicit in the National Employment Strategy 2010-2014; here too, there are signs of significant improvement. Much of the thrust of international agency involvement, at the level of both policy formulation and implementation, has been concerned with the capacity building. As noted above, the ILO have been supporting the development of employment strategy at the national level, whilst a significant part of the employment-related projects sponsored by the other international agencies has been directed towards developing the capacity of educational and, above all, public employment services.

As a consequence, on the educational front, it is realistic to hope and expect that a national qualifications framework will be adopted in the near future. As a result of the international donor projects mentioned above, the public employment services have also become significantly more involved in offering job placement services to the unemployed as well as in running active labour market programmes. At the same time, the ongoing efforts of international agencies are also focused on continued capacity building in this field.

A third related issue concerns, in particular, the financing of active labour market programmes (ALMPs). The approach based on the financing of ALMPs as a residual from employment agencies' budgets once employment insurance has been covered has meant that their financing has relied primarily, indeed, almost exclusively, on international donor support. Clearly such an approach is not sustainable and ways need to be found to finance active programmes through ring-fenced national or entity-level funds. The problem is clearly recognized in the employment strategy documents, but, as yet no solution has been proposed. An obvious way to resolve the situation would involve separating the financing of active programmes from passive support to the unemployed. This might be implemented by introducing conditionality, specifically aimed at this aspect, into international donor support. In Macedonia, for example, a project for the development of ALMPs in that country, funded initially by UNDP, has been transformed into a UNDP-run project now almost entirely financed from the national budget. This in itself has created some problems in as much as it has proved difficult to transfer ownership and responsibility to the national authorities. However, it does provide an example of a country in a broadly similar situation with very high levels of unemployment and long-term unemployment which has been able to make significant inroads into both through a nationally funded initiative.

## 6 Conclusions and lessons learnt

Bosnia and Herzegovina still bears the visible scars of the bloody conflict which lies less than two decades in the past. The most enduring legacy of the war was the division of the country into two autonomous entities which has hampered the development of unified policy on a variety of issues at national level. As regards labour markets, there have been, and remain, significant obstacles to effective employment policy development and implementation. Progress has been made in recent years particularly with regard to the capacity of entity-level institutions to implement policies and programmes aimed at integrating the unemployed into work. However, several areas would benefit from further action.

At policy-making level, elements of ILO and EU recommendations are incorporated into the formal policy-making process. A national level employment strategy exists. However, since the national institutions have no legal authority to implement policy at entity and Brcko District level, employment policy formulation and implementation remains, in practice, the concern of the entities. Perhaps more importantly, although both entities, but not Brcko District, have formulated and are implementing employment strategies, there remain significant gaps in terms of effective policy making.

First, the involvement of the social partners in the formulation of policy appears to be extremely limited and little progress has been made in this area since the ILO's Employment Policy Review of Bosnia and Herzegovina was undertaken in 2007-8 (ILO, 2009). The problem appears to relate primarily to the capacity of the social partners to contribute actively to policy development. The problem is well recognized and support is ongoing in this area, particularly from the ILO. Secondly, although the strategies at entity level make reference to employment-related targets as well as to monitoring and evaluation, these are not specified in such a way as to facilitate effective policy implementation or indeed, re-formulation in the light of experience. The targets specified in the employment strategies, particularly in the Federation of Bosnia and Herzegovina, are not realistic and indeed show no signs of being achieved. Thus, while the formulation of policy is based on sound analysis and information gathering, the circle has yet to be completed for the development and reformulation of policy. The real problem here is that there appears to be no clear understanding of the role of targets, monitoring and evaluation as a tool of policy revision. Targets and interventions are specified which may plausibly generate outcomes which move in the right general direction, but they do not appear to be based on anything more than wishful thinking. The specific mechanisms for achieving targets are not specified. Similarly the monitoring and, especially, evaluation functions are almost entirely absent. The entity and national level annual reports state the numbers participating in programmes but give no indication of real outcomes. For example, did participants in subsidized employment and/or training programmes subsequently find employment? It is not known. Similarly, the annual reports note the numbers entering and leaving registered unemployment, but these are not connected in any way to the active interventions. Finally, there appears that no impact evaluation of any kind has been introduced concerning any of the programmes introduced.

Although major progress has been made, lack of coordination in several areas is still an obstacle to effective policy implementation. There is very little coordination in employment policy at national level or more importantly within and between entities. Coordination among stakeholders, also, and, in particular, the involvement of the social partners in employment policy formulation and implementation, is weak. Moreover, since the monitoring and evaluation functions connected to employment policy implementation are weak, coordination between policy formulation, implementation and re-formulation in the light of experience is almost entirely lacking. The thrust of international donor activity, however, has been and continues to be directed towards building capacity in this area and major improvements in the capacity of the public employment services have been achieved

with the development of job placement services. Whether the funding for this can and will, in the future, be transferred to the national authorities, remains an open question.

## References

- Auer, P.; Kruppe, T. 1996. "Monitoring of Labour Market Policy in EU Member States," in G. Schmid, J. O'Reilly & K. Schömann (ed.s), *International Handbook of Labour Market Policy and Evaluation*, Edward Elgar, Cheltenham.
- Baker, J. 2000. *Evaluating the Impact of Development Projects on Poverty* (World Bank, Washington, D.C.).
- Dell'Anno, R.; Piirisild, M. 2004. *Estimate of non-observed economy in Bosnia and Herzegovina*, paper prepared for USAID and CBBH.
- DEP. 2010a. *Strategy of Development of Bosnia and Herzegovina, 2010-2014*, DEP (Sarajevo).
- . 2010b. *Social Inclusion Strategy of Bosnia and Herzegovina, 2010-2014* DEP (Sarajevo).
- Grubb, W.N.; Ryan P. 1999. *The roles of evaluation for vocational education and training: Plain Talk on the Field of Dreams* (ILO, Geneva).
- International Labour Organization (ILO). 2009. *Country employment policy review: Bosnia and Herzegovina* (Budapest).
- International Labour Office (ILO). 2012. *Guide for the formulation of national employment policies* (Geneva).
- Khandker, S. R.; Koolwal, G.B.; Samad H. A. 2010. *Handbook on Impact Evaluation: Quantitative Methods and Practices* (World Bank, Washington D.C.).
- Khare, S.; Ronnas, P.; Shamchiyeva, L. 2011. *Employment diagnostic analysis: Bosnia and Herzegovina* Employment Working Paper No. 86, Employment Sector (ILO, Geneva).
- MCA. 2010. *Employment strategy in Bosnia and Herzegovina, 2010-2014*, MCA (Sarajevo).
- Meier, H.; Obradovic, N. 2011. *External evaluation: Youth employment project*, BSS (Basel).
- MS. 2013. *Bosnia and Herzegovina migration profile for the year 2012*, Ministry of Security (Sarajevo).
- O'Higgins, N. 2011. "The impact of the financial and economic crisis: Wage fixing and policy responses - Bosnia & Herzegovina," in Schmidt and Vaughan-Whitehead (eds.): *The impact of the financial and economic crisis in Central and Eastern Europe: Wage fixing and policy responses* (ILO, Budapest).
- . 2010. *The impact of the economic and financial crisis on youth employment: Measures for labour market recovery in the European Union, Canada and the United States*. Employment Working Paper No. 70 (ILO, Geneva).
- . 2001. *Youth unemployment and employment policy: A global perspective* (ILO, Geneva).
- SEA. 2012. *Pregled politika zapošljavanja u Bosni i Hercegovini za 2011*, SEA (Sarajevo).



# **Employment Policy Department**

**For more information visit our site:  
<http://www.ilo.org/employment>**

International Labour Office  
Employment Policy Department  
4, route des Morillons  
CH-1211 Geneva 22

Email: [emp\\_policy@ilo.org](mailto:emp_policy@ilo.org)