



Erol Mujanović

**YOUTH  
UNEMPLOYMENT  
IN BOSNIA AND  
HERZEGOVINA**

CURRENT SITUATION, CHALLENGES  
AND RECOMMENDATIONS



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**FRIEDRICH  
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# INTRODUCTION

With a continuous rating downgrade for ease of doing business, with diminished foreign investments and credit rating downgrade as a consequence of permanent political crisis and lack of economic development, Bosnia and Herzegovina youth unemployment rate, according to the official data, reached over 54% in 2012 and 57.9% in the first half of 2013<sup>1</sup>. Enormous debt<sup>2</sup>, 235,000 unemployed persons without any work experience and over 10,000 closed companies in the last year<sup>3</sup> are only some of the consequences of such a situation which have a significant negative impact on unemployment.

The process of European integration is one of the factors exerting strong competitive pressures in the business sector and thereby in the labour market. Adjustments arising from that process result in extensive reallocation of labour force between and within economic sectors and changes in qualifications required for different professions. This will require closing of some and opening of new jobs, which require specific knowledge and skills. Workers without adequate qualifications, knowledge and skills, particularly those lacking the ability to acquire

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1 South East Europe Regular Economic Report No. 4, World Bank, June 2013.

2 Directorate for Economic Planning, 2012 BiH Development Report, [www.dep.gov.ba](http://www.dep.gov.ba).

3 Activity Report of the FBiH Employment Bureau, <http://fzzz.ba/izvjestaji>.

necessary qualifications, will certainly increase the number of long-term unemployed. The labour market of the EU<sup>4</sup>, i.e. of all of its member countries,<sup>5</sup> goes through this very same transformation. One of the most important examples is the structure of economy, i.e. employment by the activity groups, where, on average 70.1% of the total labour force in the EU is employed in the service sector, while in Bosnia and Herzegovina this percentage stands at 49.1%.<sup>6</sup>

Some of the main characteristics of the labour market in Bosnia and Herzegovina are the high unemployment rate (both the registered rate and survey-based rate), low activity rate, imbalance between labour market demand and supply and low labour mobility. All these characteristics are also prevalent among unemployed young persons.

Youth unemployment is directly correlated to the overall unemployment rate, as a consequence of the economic activities in the country. Reducing the youth unemployment rate in Bosnia and Herzegovina represents a great challenge for the government, both from the economic and social aspects.

In addition to the war-caused destruction of primarily large and export oriented companies (Unis, Energoinvest, Šipad, Soko, Famos, Hidrogradnja, Agrokomerc), the overall social and economic situation and unemployment have been recently further complicated by the recession and global economic crisis. This primarily had an impact on the employment perspectives for youth. The labour market situation keeps deteriorating for multiple reasons, which is reflected in reduced labour demand, structural unemployment, slow development of the

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4 [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Labour\\_market\\_and\\_labour\\_force\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Labour_market_and_labour_force_statistics) This percentage increased throughout the EU on average by 1% if compared, for example, to 2010. At the same time, in the BiH labour market, the labour force engaged in agricultural activities increased by the same percentage.

5 Eurostat pocketbooks, Labor market statistics, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-32-11-798/EN/KS-32-11-798-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-32-11-798/EN/KS-32-11-798-EN.PDF)

6 2012 Labour Force Survey, [http://www.bhas.ba/tematskibilteni/ifs\\_bh.pdf](http://www.bhas.ba/tematskibilteni/ifs_bh.pdf).

educational sector which needs to keep pace with the development of new technologies, lack of adequate policies aiming to improve business environment, etc.

In addition to the above, one of the largest obstacles for young people in the labour market is the lack of work experience, having in mind that the main requirement for majority of vacancies is prior work experience of at least one to two years. While the European Union invests eight million Euros to help young people gain their first work experience, there is a large number of young people in Bosnia and Herzegovina who even several years after entering the labour market have no work experience.<sup>7</sup>

Results of recent surveys<sup>8</sup> confirm that there are multiple factors which are the reasons for the current difficult position of young people in the labour market. Some of these are:

- Difficult economic situation which has a negative impact on the creation of new jobs and employers' hiring plans;
- Lack of working experience among young people, which represents a problem for employers because they have to invest additional time and resources to ensure young people have satisfactory level of productivity and skills relevant for job performance;
- Outdated and non-functional system of education (unpreparedness of young people for the labour market), which still fails to meet the needs of employers, as it, for example, does not provide young people with opportunities to gain practical experience in companies.

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7 Out of the total number of the unemployed in the Federation of BiH in 2013 (385,253), 168,181 (43,65%) are looking for their first job. Newsletter of the Federal Institute for Statistics, statistical overview, June 2013.

8 The Voices of Youth Survey in BiH: [http://www.undp.org/content/dam/bosnia\\_and\\_herzegovina/docs/Research&Publications/Democratic%20Governance/Voices%20of%20Youth/VoY%20BHS\\_web.pdf](http://www.undp.org/content/dam/bosnia_and_herzegovina/docs/Research&Publications/Democratic%20Governance/Voices%20of%20Youth/VoY%20BHS_web.pdf)  
The World Bank Study "Are Skills Constraining Growth in Bosnia and Herzegovina?": <https://openknowledge.worldbank.org/bitstream/handle/10986/3186/549010ESW0WHIT101Official0Use0Only1.pdf?sequence=1>

This means that young people are in a situation that they have diplomas, but they have no skills and competences which would enable them to enter companies and gain first work experience and advance in career;

- Corruption, as it creates a bad perception of the business environment in BiH, thus driving away foreign investors, who would have, by now, opened several thousands of new jobs if, for example, BiH was better ranked on the Transparency International Index<sup>9</sup>;
- Passivity of young people, with two-thirds of unemployed young people not actively looking for a job<sup>10</sup>;
- Having in mind the high rate of youth unemployment and in spite of investments in the existing active measures in the labour market, there are still no employment subsidies and subventions which would help employers to manage financial burden of hiring young people;
- Lack of information pertaining to the functioning and situation in the labour market that would facilitate better exchange of information about the employment opportunities and promote mobility of labour force, which would increase the number of employed young persons.

Findings of the labour market survey for 2011/2012<sup>11</sup> in the Federation of BiH, conducted by the Federal Employment Bureau and cantonal employment services through a survey of employers, indicate that the reasons for employers' dissatisfaction with the labour force are the lack of high-quality practical and work experience (32.5%), general

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9 [http://www.transparency.org/country#BiH\\_DataResearch](http://www.transparency.org/country#BiH_DataResearch)

10 The Voices of Youth Survey (p.24) indicates that 65.5% of unemployed respondents did not actively look for a job in the period of one month when the survey was conducted.

11 [http://www.fzzz.ba/publikacije1/Analiza\\_trzista\\_rada\\_i\\_zaposljavanje\\_2011-2012.pdf](http://www.fzzz.ba/publikacije1/Analiza_trzista_rada_i_zaposljavanje_2011-2012.pdf)

knowledge and social and organisational skills (13.4% each) and entrepreneurial skills (7.7%).

According to this survey, processing industry (metal, textile, wood and food), trade and construction are the sectors with the greatest labour demand. Lately, the IT sector has also been recognised as a developing sector where there is a demand for young labour force.

Although different strategic documents and laws have been adopted, institutional framework for implementation of policies in the fields of employment, education and development of human potentials in Bosnia and Herzegovina is very fragmented with unclear division of competences and roles. This is particularly case in the Federation of BiH, where there is an additional division of competences between the entity and cantons. Implementation of strategic objectives is therefore uncoordinated, inefficient and ineffective, long and complex.

According to the data of the Republika Srpska Institute for Statistics and Republika Srpska Employment Bureau, at the beginning of 2013, the number of employed persons in Republika Srpska was 236,975 and the number of the unemployed was 150,601, which includes 43,948 young persons (persons in the 15 to 30 age group). The data provided by the labour survey conducted by the RS Institute for Statistics<sup>12</sup> in 2012 also raise some concerns. Namely, according to this survey, which is conducted in line with the International Labour Organisation (ILO) standards, it is possible to notice negative trends at the labour market in Republika Srpska in terms of youth unemployment in 2012 and two previous years.

These trends are primarily related to the drop of the overall labour market activity rate of working age population from 47.9% in 2010 (one of the lowest activity rates in Europe) to 47.4% and to the growth of the unemployment rate from 23.6% in 2010 to 25.6% in 2012. These are the rates acquired using the official ILO methodology, which

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12 [http://www.rzs.rs.ba/static/uploads/bilteni/anketa\\_o\\_radnoj\\_snazi/AnketaORadnojSnazi\\_5.pdf](http://www.rzs.rs.ba/static/uploads/bilteni/anketa_o_radnoj_snazi/AnketaORadnojSnazi_5.pdf)

is also the official methodology of the BiH Agency for Statistics. This methodology tries to take into consideration only those persons actually seeking employment, while the unemployment rate based on the registrations with the unemployment bureaus is much higher (44.3%). In the latter case, the count includes all persons registered with the employment bureaus as unemployed, who actually exercise some other rights (health insurance) through the employment bureaus, regardless of whether they look for work or not. In numerous media appearances, Director of the BiH Labour and Employment Agency estimated that there are approximately 200,000 persons in Bosnia and Herzegovina working in the black economy, i.e. they are not registered by employers.

Of particular concern is the data indicating that the years following the economic crisis increase the pressure on young people, as one of the most vulnerable categories of the unemployed. In that sense, the 2012 labour force survey data, indicating that only 30.6% of young people is active in the labour market, the employment rate among young people is only 14% and unemployment rate is 54.3%, are alarming and require urgent measures and activities aiming to increase the labour market activity of young people and their employment. Data for 2013 will be published in several months. However, considering that according to the World Bank data, the youth unemployment rate in June 2013 already reached 57.9%, it can be expected that by the end of this year the youth unemployment rate will exceed 58%.

These indicators show that the large majority of young people are exposed to the risk of economic and even social exclusion, which certainly can cause numerous negative consequences, primarily in terms of its demographic and social dimension.

Further on, another very serious consequence of high rates of unemployment and inactivity of young people is their migration to other countries. According to the findings of the 2012 "Voices of Youth"<sup>13</sup>

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13 [http://www.undp.ba/upload/publications/VoY%20BHS\\_web.pdf](http://www.undp.ba/upload/publications/VoY%20BHS_web.pdf)

survey conducted among young people in Bosnia and Herzegovina, 65.6% of respondents would leave the country for temporary employment, 52.3% would leave the country to reside in another country and 42% for the purpose of marriage. Slightly over one third of respondents (38.1%) would leave the country for the long term (or permanently). Only slightly less than one fifth of the respondents (18.9%) said they would not leave Bosnia and Herzegovina for a longer period of time or permanently, which actually indicates that majority of young people would like to leave this country.

When it comes to the future, respondents in the said survey are pessimistic and in majority of cases believe that their standard of living will not change in the next three years, in terms of their income, employment status, education, health care, housing or quality of life in general. Significant portion of respondents who are of the opinion that their standard will not change belong to vulnerable groups (36.6%) compared to the general youth population (28.1%).

# MACROECONOMIC SITUATION IN BOSNIA AND HERZEGOVINA

The past several years, during which the economic situation in Bosnia and Herzegovina went from bad to worse, represent the period of slow growth and insufficient job creation, and during this period, the youth unemployment rate, which had already been high, steadily increased year after year.

Over this period, several developed European countries, that the economy of Bosnia and Herzegovina particularly depends on, emerged from recession, which had a positive impact on Bosnia and Herzegovina, although it is expected that the economic growth in this year will be around 0.5%, which is still a progress compared to the negative growth in the previous year (-0.6%)<sup>14</sup>.

According to the report<sup>15</sup> of the BiH Directorate for Economic Planning, the consumer price index grew at all times since 2012 and it had a growth rate of 2.1% in 2012. In terms of trade balance, i.e. the trade deficit in the case of Bosnia and Herzegovina, as the value of imports always exceeds the value of exports, it showed a trend of fall. Namely, in terms of the percentage of Gross Domestic Product, the trade deficit fell from 20.7%, 22.9% and 23% in the period 2010-2013 to 19.7%.

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14 The World Bank Report: South East Europe Regular Economic Report No.4

15 Bosnia and Herzegovina, Economic Trends January-June 2013, [www.dep.gov.ba](http://www.dep.gov.ba).



The same trend is forecasted for 2013 too, which is certainly a positive sign for the economy.

In terms of reforms and development, Bosnia and Herzegovina is the worst student of all the countries in the region, i.e. it had the lowest economic growth in this year. Therefore, it is essential to implement key structural reforms, as the current political and economic environment drives away foreign investors and diminishes possibilities for the development of local businesses. Even with the growth of exports, the banking sector in Bosnia and Herzegovina was significantly affected by the crises and profitability of the banks dropped drastically, due to, inter alia, reduced demand for loans caused by the economic and financial uncertainty.<sup>16</sup>

Improvement of the business environment and fiscal consolidation are only some of the key areas that require urgent action. Bosnia and Herzegovina falls behind in terms of the issues such as issuance of construction permits, facilitation of entrepreneurship, infrastructure and, in particular, skills available in the labour market. The aforesaid World Bank study indicates that Bosnia and Herzegovina, should it want to maintain even this modest growth, will have to facilitate the creation of new jobs targeting primarily: entrepreneurship, enhancement of skills and mobility of the labour force. The World Bank Report highlights that it is the private sector which creates 9 out of 10 new jobs and that, considering such influence, promotion of foreign investments seems to be an absolute priority. This is particularly important in Bosnia and Herzegovina where public sector is overrated in terms of the perception by those looking for a job and in terms of the average salary, which is significantly higher compared to the private sector which generates the growth. New jobs are usually created by approximately 20% of companies.<sup>17</sup> This process is directly linked to the quality of the business

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16 The World Bank Report: South East Europe Regular Economic Report No. 4.

17 The World Bank Report: South East Europe Regular Economic Report No. 4.

environment, reduction of the prevalence of corruption and increasing of competition and it enhances profitability of these companies. Foreign investors, who are considered to be employers of particular importance for the creation of new jobs, have been emphasising in their reports several specific obstacles whose removal would result in a significant improvement of the business environment and creation of new jobs. This includes registration of businesses, modernisation of legal framework concerning the companies and securities market, taxes and construction permits<sup>18</sup>. While it is undoubtedly important to increase the number of new jobs, it is also very important to try to make sure these are jobs of high quality providing dignified and good working conditions for employees. Recession also led to the growth of the “medium” poverty, i.e. increase of the number of persons living on 2.5 to 5 dollars a day from 22% to 26%.<sup>19</sup>

Youth unemployment has reached the record level over the previous period, although young people tend to stay longer in the education system and enter the labour market at a later age. There is a reverse correlation between youth unemployment and cycles of economic development, because when economic development indicators are lower, the youth unemployment rate increases. Specifically, when indicators of economic development (e.g. level of foreign investments, production and export levels, number of new jobs created, etc.) decrease or stagnate, then the youth unemployment usually increases because the economy is not able to absorb, i.e. employ generations of young people entering the labour market each year. Therefore, a consequence of the poor economic situation is a downward spiral, because with the worsening economic situation, youth unemployment increases at a faster rate. When this situation happens in the context of the transitional economy, as is the case in Bosnia and Herzegovina, which brings

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18 The White Book of the Foreign Investors Council in BiH, available on [www.fic.ba](http://www.fic.ba)

19 The World Bank Report: South East Europe Regular Economic Report No. 4.

additional challenges and pressures in the labour market and increasing youth unemployment rate for the reasons above, the situation and perspective in terms of youth unemployment in BiH are even more difficult. The same trends and developments have been recorded in other countries as well, regardless of whether they are transitional or developed economies, but majority of the countries in such a situation proactively and promptly implemented adequate policies and reforms, such as the ones specified at the end of this document.

A positive characteristic of young people is that, when given an opportunity, they can quickly acquire some of these skills (unlike older generations) and still manage to integrate into the labour market. The local labour market is also not able to meet the requirements and needs related to more flexible forms of employment and offer sufficient possibilities for life-long learning and gaining of modern skills, which would certainly contribute to youth employment.

## YOUTH UNEMPLOYMENT: GENERAL SITUATION AND RISKS

According to the 2012 labour force survey, youth unemployment rate in Bosnia and Herzegovina of 54.3% is the highest in Europe. In the period from 2009 to 2012, the unemployment rate increased by 3.9%, while youth unemployment rate increased by staggering 14.4% in the same period.

This situation is further exacerbated by the fact that the employment rate fell from 33.1% in 2009 to 31.7% in 2012. Youth employment rate also dropped from 16.7% in 2009 to the worrying 10.8% in 2012. Such a negative trend paints a bleak scenario for youth (un)employment.

When this situation is combined with the limited prospects for new jobs and increasing number of closed companies, the pressure and risk for unemployed young persons are even greater. In the short term, reversal of such trends seems impossible.

“Analysis of Employment Policies in BiH”, presented by the Center for Civil Initiatives (CCI) in 2013, confirms that unemployed young people can only to a slight degree count on institutional assistance of employment bureaus, which are burdened by numerous other problems. This significantly deteriorates the labour market position of young people as they are mainly left to themselves. One of numerous inconsistencies is the fact that the largest share of revenues in employment bureaus comes from payments of contributions by the employed, whose number

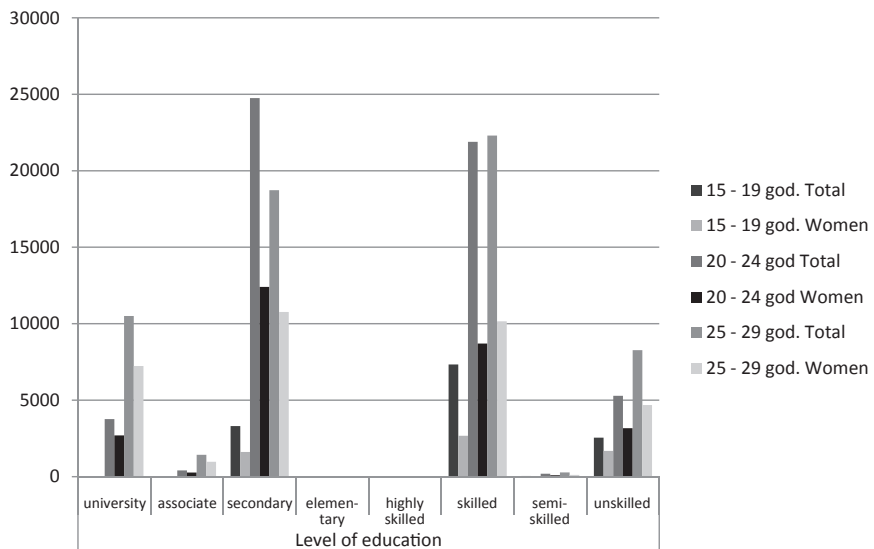
decreased in the period of crisis. Only in the Federation of BiH, employment bureaus provide health insurance for over 245,000 persons and it is estimated that around 120,000 persons are registered as unemployed only for the purpose of obtaining mandatory health insurance. Therefore, all revenues collected from paid contributions are spent to the largest degree on passive funds, which have the effect of welfare, and on administrative costs. Consequently, general impression is that the public services have lost their main purpose and young people have to invest significantly larger efforts to find a job, compared to their peers in Europe. Employment services in the EU have a more active role in the labour market and implement multiple activities, such as employment intermediation or active contact with employers, development of analyses and studies on different subjects, such as salaries, which are of use to all actors in the labour market.

## YOUTH UNEMPLOYMENT BY GENDER

In terms of gender distribution of youth unemployed, it should be emphasised that the position of women is unfavourable, considering that the number of registered unemployed women is higher compared to men and the number of women in employment is significantly lower.

Namely, when it comes to the Federation of BiH, according to the December 2012 unemployment data, women make up 69.6% of the total number of unemployed young persons with a university degree and 53.2% of the total number of unemployed young persons with secondary education.

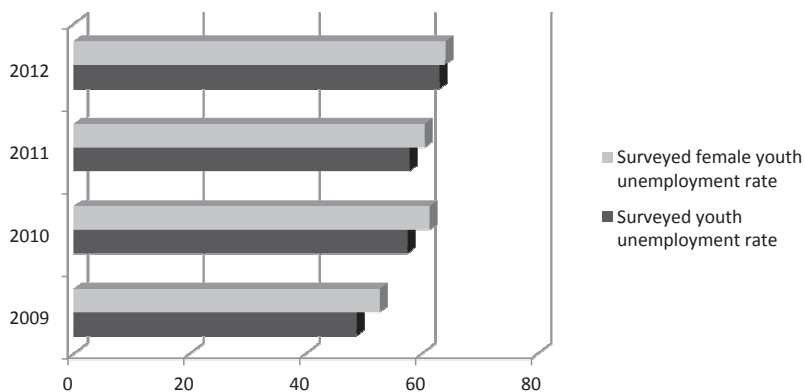
Chart 1: Youth Unemployment by Education Level



Source: December 2012 Bulletin of the FBiH Employment Institute

According to the 2012 labour survey, unemployment rate for young women is also much higher than the overall surveyed youth unemployment rate, which can be seen in the chart and table below.

Chart 2: *The unemployment rate for young women compared to the overall youth unemployment rate*



When it comes to Republika Srpska, according to the unemployment data of the Republika Srpska Employment Bureau, the number of unemployed young people (in the 15-30 age group) increased over the past three years and from 42,985 this number reached 46,091 as of 31 December 2012. Over this period, women made up around 47% of the overall number of unemployed young persons, as is seen in the Table 1.

Table 1: *Unemployed persons in the 15-30 age group on 31 December 2012*

2010.		2011.		2012.	
Total	Women	Total	Women	Total	Women
42.985	20.669	46.158	22.153	46.091	21.865
Percentage of women (%)	48,08		47,99		47,44



Analysis of the 2012 labour survey data indicates a difference in the activity, employment and unemployment rates among young people in Republika Srpska and this document also indicates that women took a more passive role in the labour market.

As one of the most important reasons for reduced participation of (young) women in the labour market, in addition to the stereotypical division of gender roles in social life<sup>20</sup>, that is fought against by both the governmental and non-governmental sector in Bosnia and Herzegovina, we can highlight the fact that over the previous several years, there is a trend of women staying longer in the education system and increased number of young women enrolled in and graduating from higher education institutions.

According to the Higher Education Statistical Bulletin No. 9 for 2012<sup>21</sup> issued by the Republika Srpska Institute for Statistics, out of 7855 graduates in 2011, 4718 were women.

Table 2: *Graduates in RS*

2009.		2010.		2011.	
Total	Women	Total	Women	Total	Women
6931	3912	7328	4336	7855	4718
Percentage of women (%)	56,44		59,17		60,06

20 For further information on participation of women in the labour market in BiH, please see the publication "Gender (in)equalities in the labour market in BiH – Female Perspective", Sanela Bašić, Milanka Miković, Sarajevo 2012, <http://www.fes.ba/publikacije/2012/Rodne%20nejednakosti/RODNE%20NEJEDNAKOSTI.pdf>

21 [http://www2.rzs.rs.ba/static/uploads/bilteni/obrazovanje/visoko\\_obrazovanje/Bilten\\_Visoko\\_Obravanje\\_9.pdf](http://www2.rzs.rs.ba/static/uploads/bilteni/obrazovanje/visoko_obrazovanje/Bilten_Visoko_Obravanje_9.pdf)

By further examining the structure of graduates by fields of study, it can be concluded that there are fields in which women make up a large majority, which only draws on the stereotype of the so called male and female professions. These are the official tables and they contain no further details (i.e. the exact professions and the number of students), but only an overview by fields of study, wherefore it is not possible to obtain precise data which would enable an in-depth analysis).

Table 3: *Graduates in RS by fields of study (2011)*

Field	Total	Male	Female	Women (%)
Education	1140	241	899	78,86
Art and humanities	617	207	410	66,45
Social sciences, business and law	3898	1618	2280	58,49
Natural sciences, mathematics and IT	514	316	198	38,52
Engineering, production technologies and civil engineering	525	322	203	38,67
Agriculture and veterinary medicine	175	102	73	41,71
Health and social protection	745	173	572	76,78
Services	241	158	83	34,44

# YOUTH UNEMPLOYMENT AND LEVEL OF EDUCATION

Development of human resources, investments in education, increase of labour force competitiveness, investments in research and development and employment of young people are some of the key elements to achieve social and economic stability and growth in the country. As a consequence of structural changes and globalisation, the labour market keeps transforming, which has significant effect on constant changes of the requirements concerning specialised education and training in societies with knowledge based economic development.

In addition to the specialist and technical knowledge, labour market demands knowledge of modern technologies in many fields. From a strategic perspective, development of human resources has become very important. An efficient and effective system of education and training is a key driver for adequate development of human resources, society as whole and economy, recognised as the pillars of development in the global economy. A high-quality education will enable each individual to maintain a high level of employability and provide companies with qualified labour. In this manner, the educational system has a very important role in the development of human potentials and it becomes the backbone of social and economic stability in the country.

At the level of Bosnia and Herzegovina, education falls under the competence of the Ministry of Civil Affairs of BiH, which has a

coordinating role. The education system in the Federation of BiH falls under the competence of the cantons and in Republika Srpska of the entity. In Brcko, it falls under the competence of the Government of Brcko District. In the Federation, each canton has its own law on pre-school, elementary and secondary education, and cantons which have universities also have their own laws on higher education. In RS, all levels of education are regulated by entity legislation, while Brcko District has its own laws governing all four levels of education.<sup>22</sup>

In its numerous reports issued this and over several previous years<sup>23</sup>, the World Bank confirmed the link between the level of skills of young people and the level of their employment, i.e. unemployment. BiH is still a victim of a rudimentary education system which cannot keep pace with the latest trends and offer young people the skills required in a “new economy” (analysis of data and information, creative thinking, communication and other interpersonal skills, etc.), which limits the possibilities for employment of young people.

This system creates a series of problems, including the lack of harmonisation with the labour market, wherefore, a significant number of persons who complete the education process end up at the employment bureaus. It is obvious that the education system in Bosnia and Herzegovina made none or very insignificant progress in terms of adjusting to

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22 In terms of other actors relevant for education and labour market, there is the Labour and Employment Agency at the state level which has a coordinating role in the field of employment. There is also the Commission for Coordination of Youth Issues in BiH, as well as parliamentary committees at different levels dealing with the youth issues and education. Further information on these bodies can be found on the website [www.mladi.info](http://www.mladi.info), which is the largest youth related database in BiH. In terms of employment, the following websites can be useful for young people: [www.posao.ba](http://www.posao.ba), [www.priviposao.ba](http://www.priviposao.ba), [www.pokreniposao.ba](http://www.pokreniposao.ba), [www.posaomarket.ba](http://www.posaomarket.ba), [www.zaposlite.ba](http://www.zaposlite.ba), [www.ads.gov.ba](http://www.ads.gov.ba), [www.adsfbih.gov.ba](http://www.adsfbih.gov.ba), [www.adu.vladars.net](http://www.adu.vladars.net), [www.europa.eu.int/jobs/eures](http://www.europa.eu.int/jobs/eures). In terms of legislation, the website “Abeceda karijere” offers a list of relevant legislation in the field of education and employment <http://abecedakarijere.ba/trazite-posao/zakonska-regulativa.html> and it contains all relevant contacts at the cantonal level.

23 The World Bank report: South East Europe Regular Economic Report No. 4.

the labour market needs. Consequently, significant financial resources from public budgets have been spent on education without achieving equivalent results in the quality of human resources produced by the system. These concrete problems, and numerous others, have been confirmed by some of the key actors in the field of education in Bosnia and Herzegovina. These are some of the examples:<sup>24</sup>

- Insufficient quality of education contents, as textbooks and teaching methods do not focus on key competences and life skills, which represents the greatest problem considering that it directly hampers improvement of the quality of education,
- Bosnia and Herzegovina spends approximately five percent of its gross domestic product on education, which matches the level of the countries in the region, but the structure of the expenditures is not adequate, considering that 77% of investments in education is spent on salaries of employees in this sector,
- The education system, based on segregation, discrimination and separation of children from the youngest age, has a negative effect on the general quality of education.

Education institutions in Bosnia and Herzegovina adjust their enrolment policies more to their own resources and profile of teaching staff than to the labour market in BiH. Consequences of such policy are low quality of education<sup>25</sup>, high unemployment rate and shortage of certain professions, reflected in the inability of a large number of companies to fill vacancies in spite of tens of thousands of educated young people who left the education system being available to employers.<sup>26</sup> One of the concrete problems is the fact that the education system is based

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24 [http://www.unicef.org/about/annualreport/files/Bosnia\\_and\\_Herzegovina\\_COAR\\_2012.pdf](http://www.unicef.org/about/annualreport/files/Bosnia_and_Herzegovina_COAR_2012.pdf)

25 No BiH university is recognised in Europe, <http://www.vijesti.ba/vijesti/bih/160326-Nijedan-univerzitet-BiH-nije-priznat-Evropi.html>

26 Posao.ba, 2012 Labour Market Analysis

on teaching without practical work. As a result, young people are not adequately equipped for modern work requirements, i.e. they lack the knowledge and skills required in the labour market.<sup>27</sup>

Young people are facing great challenges preventing them to become actively involved in the labour market. This primarily refers to young people with lower level of education, i.e. those who do not have any qualifications. We are witnessing a high level of unemployment amongst young people with higher education as well, yet it is lower than amongst those without higher education.

Having in mind the importance of education, in particular of secondary vocational and higher education, as a means to fight unemployment, Bosnia and Herzegovina needs human resources that will be able to respond to the modern technical and technological challenges. This can be achieved only through significant investments by all key stakeholders in human resources that will be competitive in the regional labour market as well, which will also have a direct effect on the economic development of our country. A part of the responsibility rests on employers who should, within their capabilities, increase their investments in human potentials, but it is unrealistic to expect that they alone can make up for all the failures of the state, i.e. system of education.

Currently, large majority of labour force does not meet the requirements of the modern labour market in the era of globalisation, fast development of information and communication technologies and new technologies in general and fast development of business operations. For this reason, there is a paradox at the labour market in Bosnia and Herzegovina that frequently employers are not able to find necessary labour force, despite the large number of unemployed. The aforesaid World Bank study<sup>28</sup>

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27 CPU, Center for Policy and Governance, Analiza politika u oblasti povezanosti obrazovnog sistema i tržišta rada u BiH.

28 World Bank study „Are Skills Constraining Growth in Bosnia and Herzegovina? : <https://openknowledge.worldbank.org/bitstream/handle/10986/3186/549010ESW0WHIT101Official0Use0Only1.pdf?sequence=1>

and experience of the staff of the employment website posao.ba in their work with key employers in BiH show that employers find that the majority of young people of all profiles still lack a basic level of one or several skills directly related to job performance (IT, foreign languages, special programmes) or soft skills (communication and negotiation skills, time management, team work, etc.). There is a large number of unemployed persons who do not have any qualifications, almost 30%, which raises the issue of urgent need to organise training programmes, i.e. professional training and specialisation in line with the needs of the labour market and to develop a concept of lifelong learning. When it comes to the qualifications in demand and real needs of the labour market in 2012<sup>29</sup>, analysis by the employment bureaus and annual survey of the BiH labour market conducted by the most visited employment website www.posao.ba indicate that there was a high demand for IT engineers, electrical and mechanical engineers and pharmacists. There was also a high demand for welders, sewing professionals and salespersons, for which there are shortages of skilled labour. Majority of online job postings were in the field of commercial business and sales, whereby commercial representatives, sales agents and salespersons ranked first among the top ten most wanted professions. In addition to expecting to see this trend continue in 2013, young people can expect a greater number of vacancies in construction and metal industry due to the intensification of works on the construction of the Corridor Vc.

It is a matter of fact that improvement of knowledge and skills and career development represent a great challenge for the society as a whole, particularly, for the system of education and labour market in Bosnia and Herzegovina, which strives to become a society of knowledge and strong economy in the region.

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29 <http://www.posao.ba/articles.php?user=b412518133f11c1340bfeac1e7697520&act=complete&aCat=0&aID=6468&type=A>

Clearly, there is an urgent need to improve the educational system, as in today's situation, young people are absolutely not prepared for the transition from education into the labour market, which is even further complicated by the lack of career orientation strategy. It is the state and public sector which should initiate reforms of the education system and legal framework in order to take into consideration the labour market needs, as soon as possible.

School and university curricula are mainly theory oriented and students in majority of cases do not have an opportunity to do practice in order to gain necessary practical work experience and knowledge. Adequate links between educational institutions and companies are really rare and significant number of educational institutions does not have adequately equipped rooms for practical classes. Although they are planned in curricula, practical classes need to be improved and modernised.

Evidently, there is a structural imbalance in the labour market manifested as a disparity between labour demand and supply in terms of professions, education, qualifications, additional knowledge and skills or regional distribution. This imbalance is of two-fold nature. From the point of view of quality, even when generating professions required in the labour market, the system of education fails to do it properly and it produces persons with a university degree, but without a single day of relevant and valuable practice where they could truly develop their skills and knowledge that could be valorised and monetised by employers. Therefore, the issue here is a lack of skills. Regardless of the profession, there is a set of certain skills that employers continuously emphasise as lacking among young people looking for a job, mainly the team work, communication and organisational skills or insufficient IT skills or knowledge of foreign languages.<sup>30</sup>

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30 World Bank Study "Are Skills Constraining Growth in Bosnia and Herzegovina?": <https://openknowledge.worldbank.org/bitstream/handle/10986/3186/549010ESW0WHIT101Official0Use0Only1.pdf?sequence=1>



On the other side, from the point of view of quantity, the fact that there is shortage of certain professions indicates that the educational system does not keep pace with the labour market as it fails to produce the professions in demand (e.g. welders or IT professionals). A part of the problem is also related to insufficient labour mobility<sup>31, 32</sup>, as majority of young unemployed persons are not willing to travel from one part of the country to another for employment. In addition, it frequently happens that their income is not sufficient to cover the costs of “emancipation”, i.e. to cover the costs of rent, travel and other costs. There are also other reasons of cultural, social and political nature frequently perceived by young people in Bosnia and Herzegovina as barriers to accepting a job in a place other than the place of their residence. Insufficient labour mobility is a challenge present in the EU labour market as well, so this topic is almost each year one of the key topics of the annual European Employment Forum in Brussels. In Bosnia and Herzegovina, this problem is even more prominent.

Therefore, the system of education has not yet been efficiently linked to the labour market and it requires further improvement and, in some segments, adjustment to the needs of the economy. This can be achieved through cooperation of educational institutions with employers as key partners in the labour market, increasing of number of practical classes and application of new technologies, which would certainly have an effect on reduction of the structural imbalance in the labour market, which is at an unacceptable level. It is necessary to involve all labour market stakeholders in the processes and activities aimed to overcome such situation.

A further issue of concern is the inability to keep human resources in the country, particularly young and qualified persons. According to

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31 Federal Employment Institute, Labour Market and Employment Analysis [http://www.fzzz.ba/publikacije1/Analiza\\_trzista\\_rada\\_i\\_zaposljavanja\\_2011-2012.pdf](http://www.fzzz.ba/publikacije1/Analiza_trzista_rada_i_zaposljavanja_2011-2012.pdf)

32 Directorate for Economic Planning, 2012 BiH Economic Development Report.

the report of the World Economic Forum (WEF), Bosnia and Herzegovina is the fifth country most affected by brain drain, i.e. the percentage of university students and highly educated persons leaving the country<sup>33</sup>, with only Serbia, Burundi, Haiti and Algeria being lower ranked.

When it comes to Republika Srpska, according to the RS Employment Bureau data, persons with three-year (skilled workers) and four-year secondary education make around 70% of the overall number of unemployed young people. In earlier years, the second largest group among young unemployed persons were those who only completed elementary school (unskilled workers). However, in 2011 this trend changed and in 2011 and 2012, the second largest group among the young unemployed were those with a university degree.

Table 4: *Youth unemployment structure by qualifications, as registered with the RS Employment Bureau on 31 December 2012.*

	un-skilled	semi-skilled	skilled	secondary school	highly skilled	associate degree	university degree
2010.	6293	431	17.835	13.468	35	762	4161
2011.	6001	390	17.318	14.406	42	660	7341
2012.	5547	343	16.837	15.359	36	469	7500

The fact that around 13% of young people registered as unemployed have no qualifications and that there are very limited possibilities for employment of persons without qualifications is a matter for concern.

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33 „Konkurentnost 2012-2013 – Bosna i Hercegovina“, FBiH Institute for Programming and Development, 2012. (Also, Bosnia and Herzegovina scored 3.93 out of 7 points, which ranked it on the 88th place for economy competitiveness.)

In addition, there is an evident trend over the last few years of a significant rise in the number of young university educated persons who are registered as unemployed, which indicates that in Republika Srpska there is also a serious imbalance between the educational system and labour market demands.

Due to the labour market uncertainty, after completing secondary education, significant number of young people decides to continue education at higher education institutions, although they, in a certain number of cases, do not have either affinity or predisposition to be successful university students. Considering that a certain number of young people decides to enrol at university or even post-graduate studies only to avoid the general apathy, this creates further imbalance between supply and demand in the labour market. In that sense, according to the registration with the RS Employment Bureau, the number of unemployed persons with a university degree has significantly increased over the last five years and majority of them are in the young age group, as is seen in the Table 5.

Table 5: *The total number of persons with a university degree (all age groups) registered as unemployed with the RS Employment Bureau*

Number of persons with university degree	March 2008.	Sept. 2008.	March 2009.	Sept. 2009.	March 2010.	Sept. 2010.	March 2011.	Sept. 2011.	March 2012.	+/-
	2857	3457	3337	4250	5832	5806	6660	8852	10.587	7730

## YOUTH UNEMPLOYMENT BY DURATION OF UNEMPLOYMENT

Young people in Bosnia and Herzegovina on average need more than a year to find a job. Taking into account the sectors where new jobs are created, many of them find jobs outside their field of study, which is a consequence of the education system not corresponding to the employers' needs.

An additional problem is the fact that a large number of persons in the labour market actually work in the black economy, a significant portion of them being young people. They mainly work outside their field of study and, instead of enhancing knowledge within their profession, they thereby lose knowledge they had. It is not rare that they even take jobs requiring lower qualifications than the ones they have.

According to the 2013 Global Employment Trends report which was released by the International Labour Organisation (ILO), informal employment increased in all countries of the region. In Bosnia and Herzegovina, informal employment increased from 20% to 23%. In practice, this means that every fourth worker is employed in the black economy and therefore has limited worker's rights, purchasing power and aggravated financial and social situation. Almost five percent of workers in the region are considered to be extreme or moderately poor, i.e. live in households with less than 4 KM per person per day. Young people often accept informal employment under the pressure of high unemployment

and lack of income. This is particularly present in tourism and construction industries during the summer season. In its other studies focused particularly on Bosnia and Herzegovina, the ILO estimates that informal employment makes up approximately 30% of the total employment, being predominantly present in agriculture, among young people and low-qualified workers.<sup>34</sup> Informal employment among young people is by about 30% higher compared to informal employment of workers of older age groups.<sup>35</sup> For young people, informal employment is often the only survival strategy and escape from unemployment, but it offers slight chances to progress into formal employment. High informal employment rate has significant consequences on the accumulation of human capital, productivity and general fiscal situation in the country<sup>36</sup>.

In its numerous activities and projects, the International Organisation for Migrations (IOM) often encountered cases of young persons from Bosnia and Herzegovina accepting informal employment abroad, which exposes them to a large number of dangers and problems. Very often, it is the employers who use the difficult economic conditions and give young people no other option than the informal employment, thus making substantial savings thanks to the use of freely available labour force.<sup>37</sup>

Indicators for Republika Srpska are presented in the table below, but the trends are identical at the territory of the entire Bosnia and Herzegovina. According to the RS Employment Bureau data, majority of young people fall into the category of the long-term unemployed

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34 Rosas, G., Corbanese, V., O'Higgins, N., Roland, D., & Tanovic, L. (2009). *Employment Policy Review Bosnia and Herzegovina*. Strasbourg: Council of Europe., p.10.

35 Ibid

36 Kamenica, A. (2009). *Strengthening Social Partnership in Bosnia and Herzegovina: Addressing the Problem of Undeclared Work in the Construction Sector through Social Partnership*. p.18 140 International Labour Office (ILO). 2011. *A comparative Overview of Informal Employment in Albania, Bosnia and Herzegovina, Moldova and Montenegro* (Budapest).

37 <http://www.banjaluka.com/vijesti/drustvo/2013/09/02/nezaposlenost-u-bih-nebriga-vlasti-pasivnost-mladih-i-izrabljivanje-na-crno-recept-za-katastrofu/>

(persons unemployed for 12 months and longer). The fact that as of 31 December 2012, there is 17,330 persons (37.6% of the total number of unemployed young persons) looking for a job for over two years clearly indicates a very difficult position of young people in the labour market.

Analysis of the youth unemployment data by qualifications shows that the largest percentage of young people is unemployed from one day to six months. The second largest group are those who have been out of work from three to five years (except for the ones with a university degree, where the second largest group are those being out of work from 12 to 18 months).

Table 6: *Qualification structure and duration of youth unemployment, as registered with the RS Employment Bureau (as of 31 December 2012)*

	unskilled	semi-skilled	skilled	secondary school	highly skilled	associate degree	university degree
0-6 months	1094	48	4131	4641	11	101	3027
6-9 months	293	16	1007	1122	3	25	660
9-12 months	357	17	986	959	4	27	613
12-18 months	575	29	1896	2168	3	59	1530
18-24 months	409	23	1177	1164	2	60	524
2-3 years	749	46	2154	1991	6	71	725
3-5 years	1038	68	2816	2025	2	91	376
5-7 years	570	48	1394	817	1	26	33
7-9 years	317	32	855	371	3	7	11
9+ years	145	16	421	101	1	2	1

# YOUTH UNEMPLOYMENT AS GENERATION PHENOMENON

Taking into account all the data above and the fact that Bosnia and Herzegovina has a record level of unemployment, particularly youth unemployment, it is clear that this is a generation phenomenon and that, compared to older age groups, young people have been hit hardest. On one side, today's generations of young people grow up in households where unemployed is perceived almost as a normal thing and where, sometimes, even both parents are out of work with relatively low odds for change of such situation. Such circumstances mean that there is an entire generation of young people, or even several generations, who find the unemployment a part of their everyday life and almost a normal occurrence.

On the other side, this phenomenon occurs throughout the European Union, where the term "lost generation" was created to describe the generation of young people who are educated but cannot find work, but this situation is even more pronounced in Bosnia and Herzegovina. The entire generation of young people grows up and develops in the environment where, even when choosing a field of study, they consciously or unconsciously, have lower expectations and plans and experience fear and worry over finding a job, considering a high level of unemployment when they graduate.

In that context, this is really a generation phenomenon, which is more pronounced in Bosnia and Herzegovina than in the European Union, considering that, in terms of percentages, it entails a larger population of young persons in all cities and all parts of Bosnia and Herzegovina. The difference is that economically most dynamic parts of Bosnia and Herzegovina mostly have a higher rate of youth unemployment than the majority of the EU member countries, meaning that the youth unemployment as a generation phenomenon is ubiquitous in BiH. Surveys on ideal jobs and most desirable employers conducted among young people also indicate how deep-rooted this phenomenon is. Each year, jobs in public sector and public companies ranked at the top of this list, as they currently offer much safer and better paid jobs than the majority of other economic sectors.



# INCREASING NUMBER OF YOUNG PEOPLE IN NEET CATEGORY

The NEET category (not in employment, education or training) and youth unemployment are mutually related terms, yet there are significant differences between them.

Namely, the unemployment rate includes those persons who lost job, but have actively looked for work within the past month and are able to start working within the next two weeks. These persons, according to the statistical methodology of the International Labour Organisation, make up the economically active population. According to the said methodology, the economically active population can include individuals still in education.

The NEET category includes all persons who are not in employment, education or training, but who want to and are able to work.

Although in Bosnia and Herzegovina, no statistical data are collected on the NEET population, the data obtained from the labour survey and employment bureaus demonstrate that there is a significant portion of young people who fall under this category. Labour market analysts observe the increase of the number of inactive and unemployed young people as a result of the economic crisis and recession in 2008/2009 which further burdened already very weak and inelastic economy of Bosnia and Herzegovina. However, although the recession undoubtedly worsened the situation for young people, their number in the NEET category started increasing even before that.

# SOME CHARACTERISTICS OF YOUTH EMPLOYMENT

Young people in Bosnia and Herzegovina who had enough luck and skills to be employed are in different situations. It frequently happens that they have no choice but to accept a job that requires a lower level of education than the one they have or to work outside their field of study. When it comes to the type of employment, almost all of them are employed in the public and private sector. Non-governmental sector is, number-wise, a relatively small employer, while the fourth option (self-employment/entrepreneurship) is least common, just as is the case in the European Union.<sup>38, 39</sup> In the reports above, the Directorate for Economic Planning foresaw stagnation or decrease of the number of employees in the private sector, while the number of employees in the public sector could further continue to grow, which is conflicting with the efficient measures to reduce unemployment.

Disproportion between financial conditions in the private and public sector made the public sector more wanted and popular amongst the youth, which is to a certain degree understandable considering that the average salary in the public sector for some industries is even 50%

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38 Eurostat data on trends and situation in the EU labour market: [http://epp.eurostat.ec.europa.eu/statistics\\_explained/index.php/Labour\\_market\\_and\\_labour\\_force\\_statistics](http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Labour_market_and_labour_force_statistics)

39 BiH Agency for Statistics, 2012 Labour Force Survey.

higher than in the private sector<sup>40</sup>, which puts Bosnia and Herzegovina in the last place in Europe, where the situation is completely opposite and where salaries in the sector which creates value in the economy (private sector) are significantly higher than in the public sector. Less tough competition, less pressure at work and flexible approach to performance appraisal in the public sector, in addition to higher income, are additional reasons making the public sector more appealing to young people. Of course, this raises the issue of long-term prospects of such choice and options, because the economy cannot be sustainable with such qualitative and quantitative gap between these two sectors and Greek scenario is very plausible, which means that in a short period of time, several thousands of young people will be in an even more difficult situation than it is now. Accordingly, it can be expected that over the next several years, just like in Greece, there will be no resources to finance the public sector and numerous institutions, considering that the number of businesses making profit is decreasing, while the number of employed and level of income in the public sector are either increasing or stagnating. This brought Bosnia and Herzegovina to a situation considered by many economic analysts to be just a step away from the Greek scenario. On one side, the situation in the labour market is to a high degree unbalanced, while on the other side there are no signs of improvement by the government. Due to the non-functioning of the institutions of Bosnia and Herzegovina and the worst credit rating in the region, business environment in BiH has lesser chances to recover.<sup>41</sup> The budget deficit and lack of developmental component, which are characteristic for the budgets, make it very difficult to initiate positive actions and open new jobs. Thanks to the IMF funds, significant public

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40 [http://www2.rzs.rs.ba/static/uploads/saopstenja/rad/mesecna\\_saopstenja/2013/Rad\\_Avgust\\_2013.pdf](http://www2.rzs.rs.ba/static/uploads/saopstenja/rad/mesecna_saopstenja/2013/Rad_Avgust_2013.pdf), <http://www.seebiz.eu/svjetska-banka-troskovi-plata-zajavni-sektor-u-bih-najveci-u-evropi/ar-28129/>

41 [http://www.slobodnaevropa.org/content/bih\\_prijeti\\_finansijski\\_slom/24422011.html](http://www.slobodnaevropa.org/content/bih_prijeti_finansijski_slom/24422011.html); <http://www.capital.ba/hasic-prijeti-grcki-scenario/>

institutions, such as pension funds, are able to survive from one disbursement to another. The consequence of such political and economic environment is that Bosnia and Herzegovina credit rating is just one level above Greece.<sup>42</sup>

Youth employment in Bosnia and Herzegovina is also characterised by shortening of the duration of the employment contracts. According to the study of the labour market<sup>43</sup> in Bosnia and Herzegovina, which is annually conducted by the website posao.ba, percentage of the fixed-term contracts used is increasing, while the percentage of employment for indefinite period of time is decreasing. Therefore, young people are in this case victims of poor perspectives and difficult economic situation, which prevents employers to commit to contractual obligations for a longer or indefinite period of time. In 2012, permanent employment was offered in 70% of vacancies, fixed-term employment was offered in 14% of vacancies and honorary short-term employment in 16% of vacancies. The number of honorary jobs increased more than two-fold in comparison to 2011, when the percentage of such jobs was 7.7%. All of these trends have effect on young people in the labour market in Bosnia and Herzegovina.

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42 Moody's opinion concerning BiH confirms this situation: "BiH has poor economic growth prospects and high unemployment rate. With FDI abating and crisis in Europe and the lengthy political uncertainty, Bosnia and Herzegovina's economy has grown slowly since coming out of recession and now seems to be re-entering recession. Weak growth will aggravate efforts to consolidate public finances and could also exacerbate political tensions." , (<http://www.oslobodjenje.ba/vijesti/bih-eu/samo-su-plate-administracije-uredne>).

43 [http://www.posao.ba/downloads/Trziste\\_rada\\_2012.pdf](http://www.posao.ba/downloads/Trziste_rada_2012.pdf)

# ROLE OF LABOUR LEGISLATION

There is no labour law at the state level<sup>44</sup>, whereby the laws at the level of entities and Brcko District of BiH need to be considerably amended and modernised, in order for them to be able to respond to the needs of today's labour market.

The labour law governs the issues like entering into an employment contract, working hours, salaries, employment contract termination, rights and obligations arising from employment and other issues. This law also governs the issue of traineeship and volunteering, which is of particular importance for young people.

According to the Law on Work in Institutions of Bosnia and Herzegovina, a trainee is a person employed for the first time in the profession within their field of study for the purpose of professional training or independent work. Rights, obligations and responsibilities applicable on employees, as stipulated by the provisions of this Law, are also applicable on trainees and they are regulated in the employment contract entered into for a fixed period of time, i.e. with a trainee with an associate or university degree for the period of one year and a trainee with secondary education for the period of six months. In addition,

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44 According to the Constitution, work and employment do not fall under the competence of the state and all competences rest on entities

under certain circumstances, an employer may hire a person for professional training for independent work without formal employment (volunteering).

When it comes to the Federation of BiH, Article 26 of the Law on Labour of the Federation of BiH stipulates that an employer may enter into an employment contract with a trainee, who is a person employed for the first time in the profession he/she has been educated for, for the purpose of professional training for independent work. The employment contract with a trainee is concluded for a fixed period, not exceeding one year, unless the law, regulations of the Canton, or the employment contract specifies otherwise. Accordingly, a trainee signs the employment contract, i.e. trainee enters into employment, while volunteers do not enter into employment, although both the trainee and volunteer are professionally trained for independent work.

The Law on Volunteering was recently adopted in the FBiH, while on the state level, Law on Volunteering was considered in the form of a bill. It is interesting that this bill does not foresee a possibility for a private company to organise volunteering. Namely, this bill stipulates that volunteering organisers can be state and entity administrative bodies, bodies of local self-government, judicial, legislative and executive bodies, public institutions and any legal entity registered in accordance with the state, i.e. entity level Law on Associations and Foundations.

Considering the above, the future Law on Labour in the Federation of BiH, which is yet to be adopted, will foresee a possibility for employers from the private sector to organise traineeship without formal employment, within the field of study of trainees. This construction actually resembles volunteering.

The Law on Volunteering of the Federation of BiH defines volunteering as an activity of interest to the Federation of BiH, which contributes to the improvement of life quality, active involvement of the citizens in social processes, and to the development of a more humane and equal democratic society. The Law also foresees the long-term

volunteering within the profession (volunteering exceeding 240 hours during at least three months without interruption), which is recognised as work experience.

When it comes to volunteering, some earlier surveys showed that a part of young people have negative attitude towards volunteering, as it is in majority of cases unpaid work. These surveys emphasised that this is not a solution for young people, who anyway live in difficult economic conditions, especially having in mind that volunteering for a particular job does not necessarily mean later employment on that job. However, encouraging is the fact that majority of young people is willing to volunteer and sees this type of work as a way to increase their chances for employment.

According to the 2012 report "Youth Voices", it seems that volunteering is not a common practice in educational institutions in Bosnia and Herzegovina either. Relatively low percentage of respondents (14.6% in 2011/2012 and 15.2% in 2008) said that organised voluntary work exists in the educational institutions they attend or attended. Having in mind the benefits of volunteering for individuals engaged in such activities and society as a whole, it seems that it would be useful if schools would further encourage their students to engage in voluntary work and put emphasis on the importance of voluntary work.

Results of the same survey indicate that only 10.3% of the respondents volunteered in their community/local organisation or group. They volunteered mostly once or twice a year. Majority of young people were not engaged in voluntary work, most frequently, as they responded, because nobody asked them to do that (38.9%) and because of the lack of time (24.4%).

A certain number of young people say that their first association to the volunteering is gaining experience or practice. Therefore, it is recommended to implement a more aggressive campaign for the purpose of promoting volunteering and raising awareness among young people, students, unemployed, employers and public sector about the importance

of volunteering in terms of increasing one's chances for employment and about the importance of the establishment of a register of organisers of volunteering.<sup>45</sup> Promotion of volunteering should be done by all actors in the labour market, as they all have the interest to ensure that young people gain high-quality practical work experience as much as possible.

Republika Srpska Labour Law<sup>46</sup> is to a great degree harmonised with relevant conventions of the International Labour Organisation and other international documents governing the special protection of young people at work. The Law has, through a series of provisions, secured a rather high level of protection of minors at work and in a number of provisions, the Law treats the issue of safety of young people at work (e.g. the Law prohibits workers under the age of 18 to work overtime and night shifts).

In the Labour Law, a particular attention is paid to regulation of the issue of gaining work experience for persons who, after completion of education, are employed for the first time in their profession. In accordance with the Labour Law, a trainee is a person who graduated from secondary school or has an associate or university degree and who is employed for the first time in the profession for which they were educated and who, in accordance with the law, should pass the exam of professional competence which requires prior work experience in a given vocation or profession. An employer can enter into an employment contract with such persons for the period of the traineeship, as prescribed for a given profession. As a rule, the traineeship for persons with secondary education lasts for up to six months, for persons with an associate degree, it lasts for nine months and for persons with a university degree it lasts for 12 months.<sup>47</sup>

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45 Significant contribution to the promotion of importance of volunteering is made by the non-governmental sector through different projects, such as "Volunteer-Finance", "Volunteering is Cool", etc.

46 Official Gazette of Republika Srpska no. 55/07

47 A trainee can gain work experience anywhere. In RS, there is even a term "trainee-volunteer", which practically works just the same as a trainee, without having the



The Labour Law also stipulates the minimum rights of the trainees arising from their employment. Namely, during the traineeship, a trainee is entitled to 80% of the minimum wage prior to passing the exam of professional competence, which is paid by the employer. Also, the employer covers the costs of disability insurance for the work related injuries. The trainee is entitled to health insurance in a manner prescribed for unemployed persons. These costs are covered by the competent employment bureau (which in that case is not an additional cost for the employer, as the trainee is treated as unemployed).

Current regulations do not impose the obligation on employers to offer the trainee an employment contract for fixed or indefinite term, upon completion of the traineeship. However, there is an increasing trend lately among majority of serious employers to offer such contract to those trainees who were exceptionally good during the traineeship with the employer. Namely, traineeship enables the trainee and employer to get to know each other and enables young people to be noticed by the employer for their hard work.

Although the Labour Law defines rather limited rights for trainees, which for employers means that they can get work force at a significantly lower cost, a great number of employers from the sector of small and medium enterprises reluctantly hires young people who have no prior work experience. The main reason for that is the fact that trainees in majority of cases have no practical knowledge and skills which they can apply and their "job orientation" requires mentoring, which also means that the assigned mentor would not be able to fully perform their work tasks and duties. This is an aggravating situation for companies, because it is necessary to invest time for orientation of a

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right to the compensation for its work. RS also has the Law on Volunteering, but it only covers socially usefully work, which is not formally or legally recognised as work experience. This results in confusion and misunderstanding and it is expected that this text will be modernised and that unclear parts will be adjusted in the new RS Labour Law.

newly employed young person, particularly in the context of recession and lack of resources and in situations when pressure and expectations regarding the employees' productivity are even higher for the reason of rationalisation of resources. Also, employers from this category expressed their concern that trainees would, upon completing the traineeship and training, leave the company and as trained employees with certain working experience look for employment with competitors. This situation has significant effect on the number of available traineeship positions, because out of the total number of businesses in the real sector, almost 99% of them fall under the category of micro or small enterprises, i.e. those employers who are hesitant to hire trainees.

In addition to the trainees, the Labour Law also regulates the position of trainees-volunteers. In accordance with the Labour Law, work by the trainee-volunteer is equal to the "classic" traineeship and the period of duration of voluntary work in a status of trainee-volunteer is counted as work experience and entered in the employment record. The main difference between the trainee-volunteer and "classic" trainee is the scope of rights the trainee-volunteer is entitled to. Although this form of hiring trainees is more favourable for employers in terms of material expenditures, a relatively small number of employers decided to hire trainee-volunteer over the last several years. Also, young people are not interested in this type of engagement for the purpose of gaining necessary work experience due to the fact that they receive no compensation for their work.

The Law also provides for the possibility of part-time work, which for the reason of its flexibility could be a way to gradually involve young persons into the work processes. However, the majority of employers do not use this possibility prescribed by the law and in majority of cases want employers for full-time work. Due to this fact, the labour market is not accessible for several thousands of students educated at the institutions of higher education who thus do not have the possibility, unlike

their colleagues in the USA or European Union, to work and study at the same time, should they want to do so.

This fact, in addition to other difficulties, such as inadequate job creation, has become a reason why young people are not able to make it in the labour market and work processes. In surveys, employers often indicate the lack of soft skills as the main problem and limitation when it comes to youth employment.<sup>48</sup> Due to the lack of soft skills, which represent a set of personality traits, social characteristics, communication and verbal skills, personal habits and attitude and which affect relations with other people and working environment, young people feel threatened in the labour market and working environment and they are becoming more and more apathetic and uninterested to become involved in work processes.

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48 World Bank study „Are Skills Constraining Growth in Bosnia and Herzegovina?": <https://openknowledge.worldbank.org/bitstream/handle/10986/3186/549010ESW0WHIT101Official0Use0Only1.pdf?sequence=1>

# POLICIES AND MEASURES TO FIGHT CRISES AND YOUTH UNEMPLOYMENT

The Europe 2020 Strategy clearly defines guidelines for the EU economic policies, which cover the issues of sustainability of public finances, macroeconomic stability and smart, sustainable and inclusive growth. This document also defines guidelines for the EU employment policies, which are based on increased participation of labour force, development of qualified labour force, improvement of the education and training system and fight against social exclusion.

Employment policies in Bosnia and Herzegovina are formulated within the employment strategies, as follows: Bosnia and Herzegovina Employment Strategy 2010-2014, Federation of BiH Employment Strategy 2009-2013 and Republika Srpska Employment Strategy 2011-2014. Entities and some of the cantons also have development strategies, where particular attention is paid to the issue of employment. However, such a large number of employment strategies in the small territory, such as Bosnia and Herzegovina, with the population of less than four million, still have not yielded results as anticipated by these strategies, which do not even cover the same time period. The state level employment strategy (Bosnia and Herzegovina Employment Strategy 2010-2014) states that the financial resources for the implementation of strategic activities and accomplishment of the objectives will be provided by entity governments. This is a paradoxical situation where

the state prepared a strategy for whose implementation it has no resources. Accordingly, financial resources for implementation of these activities unfortunately have not even been planned in the state budget, although this strategy defines the overall and specific objectives:

- promotion of inclusive and job-rich growth and reduction of deficit of productive employment and dignified work
- improvement of employability of women and men, particularly among vulnerable groups
- improvement of efficiency, effectiveness and management of policies and labour market institutions
- increasing the overall employment by 2%
- increasing the female employment by 2.5%
- youth unemployment reduced to 30% by 2014

It is already clear that not one of the objectives has been achieved and that trends moved in the opposite direction.

Evidently, employment policies have to promote a more progressive approach to resolving the problem of youth unemployment and ensure systematic and continued support during education and in the labour market, while relying on the findings of evaluation of the earlier effects with the objective of enhancing the efficiency and selecting the best measures to boost youth employment.

The 2011 World Bank report “Doing Business in Bosnia and Herzegovina”, based on the indicators for ease of doing business, ranked Bosnia and Herzegovina in 110<sup>th</sup> place out of 183 world economies covered by the analysis, behind the countries of former Yugoslavia and Albania.<sup>49</sup>

In terms of the implementation of activities planned in the strategic documents, it can be said that it was mainly the employment bureaus

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49 <http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/BOSNIA-HERZEXTN/0,,contentMDK:22754504~menuPK:362032~pagePK:2865066~piPK:2865079~theSitePK:362026,00.html>

that made contribution and allocated financial resources for the purpose of reducing the unemployment rate through co-financing of education, training and retraining programmes or programmes facilitating employment and starting of new small businesses intended for both young persons and other categories of unemployed. Having in mind that the activities covered by the strategic documents also relate to entrepreneurship, social policies, education and statistical indicators, implementation of the measures would imply interaction, close cooperation and involvement of almost all ministries and institutions at the state and entity level and actors from the private sector, which has not happened over the previous period.<sup>50</sup>

These institutions most certainly cannot do a lot on resolving the problem of unemployment. It is necessary to make an analysis of negative effects of the said strategic documents and scrutinize other institutions for their insufficient actions.

Significant support to domestic institutions, both on strategic and operational level, was provided by some donors, i.e. international organisations active in the field of employment. Only over the last four years, over 15,000 young people gained their first work experience. Also, some important systematic improvements, primarily within the employment bureaus/services have been made. This chiefly refers to the opening of 17 youth information, advice and training centres (CISO) and opening of Job Clubs, which revolutionised the approach to users in these institutions and which enabled tens of thousands of young people to obtain concrete and useful information and skills. The concept of CISO centres in Bosnia and Herzegovina was taken over by Croatia which opened a chain of similar centres to provide support to

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50 Examples of the measures: Ensure legal and institutional requirements for the establishment of the system for education and training of adults; Include entrepreneurial courses in educational curricula; Establish a system of intersectoral cooperation of social partners in education; Improve development, monitoring and evaluation of activities in the labour market, etc.

young people looking for a job (CISOK centres). This initiative is worth mentioning as this is one of rare cases where Bosnia and Herzegovina introduced a very valuable, good and needed practice before Croatia.<sup>51</sup>

In Republika Srpska, almost all strategic documents pertaining to the issues of employment, education and youth policy recognise the unemployment and inactivity of young people as a serious social problem and foresee measures and activities with the objective to reduce the youth unemployment and inactivity rate in RS. The key actors, as established in these documents, are the Ministry of Labour, War Veteran and Disabled Persons, Ministry of Education and Culture and Ministry of Family, Youth and Sports, together with related independent public institutions and other institutions falling under the competence of these ministries. In addition to recognising this problem at a strategic level, numerous measures have been taken in Republika Srpska over the last several years aiming to increase youth employment and remove causes of their unemployment.

With the objective of providing young highly qualified workers with the opportunity to do a traineeship, the Republika Srpska Employment Bureau, with the support by the Republika Srpska Government, has, since 2007, implemented different projects providing support for employment of trainees. Within the 2007 project, 554 persons were employed as trainees, while within the 2008 project, 1191 persons with a university degree were employed as trainees. Within the 2010 project "First Job", which was completed in 2011, a total of 1500 persons were employed as trainees. In the field of employment in the entire Bosnia and Herzegovina, it would be particularly beneficial to introduce more rigorous and precise controls of effects of different projects and

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51 CISOK centers in Croatia were opened 3 years after the opening of these centers in BiH; <http://www.mrms.hr/pocelo-otvaranje-centara-za-informiranje-i-savjetovanje-o-karjeri-cisok/>; Several thousands of young people gained their first work experience thanks to the Youth Employment Programmes implemented by international organisations and cooperation with local partners: <http://www.un.ba/novost/10397/odrzana-zavrсна-konferencija-un-programa-yerp->

implemented employment measures. There are some recent examples where spent funds could have been better utilised. A well known example is a project for employment of trainees with a university degree in Republika Srpska<sup>52</sup>, within which too many young people were employed in the public administration compared to the private sector. Besides, in addition to lawyers and economists who were predominantly covered by this project, it would be more beneficial for the economy to include, to a larger degree, the professions in demand, as specified in this publication.

Right now, there is an ongoing project titled “From Knowledge to Work” which covers co-financing of salaries of 1500 young professionals with an associate or university degree who are registered as unemployed with the Employment Bureau, yet who have no working experience within their profession which is a requirement to find a job, i.e. pass the exam of professional competence or traineeship exam. Further interventions aiming to harmonise the education system with the market needs were made in the area of adult education. Namely, adult education is underlined as an integral part of the education system in the Republika Srpska Education Development Strategy, which was further confirmed by the adoption of a series of important documents. The most important step in the adult education development was the adoption of the Law on Adult Education and establishment of the Adult Education Institute, as well as creation of conditions for work and accreditation of public bodies and institutions for adult education and development and adoption of secondary legislation.

Over the last several years, a certain progress was made in the development and promotion of entrepreneurship among young people. Importance of entrepreneurship and entrepreneurial spirit has been to a certain degree recognised in the Republika Srpska education system.

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52 [www.capital.ba/vlada-rs-potrosila-26-miliona-km-na-zaposljavanje-pripravnika-efekti-izostali/](http://www.capital.ba/vlada-rs-potrosila-26-miliona-km-na-zaposljavanje-pripravnika-efekti-izostali/)



Six years ago, entrepreneurial learning became an integral part of the regular education process in secondary vocational education when the course Introduction to Entrepreneurship was introduced. Introduction of this course was initiated within the vocational education reform by the Agency for Development of Small and Medium Enterprises, which also assisted in designing the curriculum for this course.

# CONCLUSIONS AND RECOMMENDATIONS

Analysing the problem of youth unemployment in Bosnia and Herzegovina, it can be concluded that youth unemployment reached the historical maximum. Extremely high youth unemployment and inactivity rates, as well as inability of economic emancipation of young people has become one of the key factors slowing down or even preventing the social growth and economic development.

Considering that young people, having no possibility of economic independence, enter into marriage and have children at a later age, in the next several decades, the total population of Bosnia and Herzegovina might reduce by one half and the population structure would be economically unsustainable, because the largest number of people would be in their late age and economically inactive.

In order to create new jobs, it is necessary to ensure conditions to make starting of a business easier and doing of business in general, which means alleviating the burden on the economy through tax policy changes and reduction of bureaucratic burden, initiation of capital infrastructural projects and promotion of foreign investments. The state has the greatest responsibility for the creation of conditions for the economic growth.

Therefore, what is needed is an unambiguous and concrete political commitment to economic development and effective cooperation

with all actors in the labour market (government, i.e. finance ministry, entrepreneurs, industry, education and employers, public employment bureaus, etc.). Accordingly, it is also necessary to start/initiate the following activities:

- Integrate labour market needs into the education policies at all levels – link the education system with the labour market (implement the legal provisions on establishment and work of the three-party and advisory councils on entity, cantonal and municipal level, whereby these partners would have a direct influence on the links between education and labour market.

In the field of education, it is necessary to continue with initiated reforms with the objective of establishing an efficient system of professional orientation and career counselling, harmonising the enrolment policies with the labour market needs, developing the modern curricula which would focus more on practical classes, and further developing the adult education system.

- Develop curricula which would include a greater scope of practical classes based on the results of labour market surveys and cooperation with employers.

This would introduce secondary school and university students to the world of labour, whereby creating an opportunity for them to meet employers and become familiar with their work policies.

- Develop entrepreneurial learning as a key competence at all levels of education and encourage self-employment/starting of small businesses among young people (establish funds for the development and facilitation of youth entrepreneurship, establish entrepreneurial incubators for young people with innovative businesses). Youth entrepreneurship is still in early phases of its development and it has not been recognised as an adequate response to youth unemployment.
- Promote voluntary work and its importance in the context of employment and development of social skills. Awareness on voluntarism is underdeveloped. This activity requires involvement of all actors

in the labour market, meaning high-school and university students, employers and public institutions in order to motivate young people to volunteer and create a larger number of opportunities for young people, while it is the state which should make an adequate framework for these activities so that everyone takes responsibility for success.

- Make an analysis of (in)efficiency of employment strategies for the purpose of preparation of new employment policies. Reform processes in the field of employment intermediation should be continued with the objective to complete reform of the position and role of employment bureaus in the labour market.

Namely, it is necessary for the employment bureaus to refocus their activities from mere unemployment registration and other administrative functions to a more active role which would be based on employment intermediation.

- Labour legislation needs to be fully harmonised with the European Union *acquis communautaire* and ensure higher flexibility of working relations, simultaneously guaranteeing social security in the event of job loss – sustainable flex-security.

Also, it is necessary in the forthcoming period to work on raising awareness about the possibilities of part-time employment for young people in all sectors where they want to work, following the model of the EU labour market, in order to enable students to study and work at the same time.

- It is necessary that public employment bureaus focus on the active measures in the labour market instead of administering health insurance services.

## POLICY RELATED RECOMMENDATIONS

Policy makers currently face basic challenges in the field of employment, which are different from and more complex than the ones existing in the past. These challenges do not include only quantitative issues, such as high unemployment rate or low employment rate, but also qualitative issues such as insecurity in the field of labour and employment, inclusion of vulnerable population groups, inclusion of young persons and women into the labour market, poverty, etc.

In this context, it is worthwhile to look into some of the best practices in the European Union. European Foundation for the Improvement of Living and Working Conditions offers well presented and analysed solutions in the form of policies and concrete measures to be taken. These are complementary interventions in different stages and situations of young persons' lives, with the objective to assist them to achieve successful integration into the labour market. This report primarily focuses on the measures to prevent early leaving from education and different forms of support within the school or home environment or other measures that can increase chances of young persons' staying in the education system.

Further on, there are also the measures targeting those who left school early with the objective to timely offer them the second chance to return to education, either continuing the same studies or starting new studies responding to their desires and abilities.

Transition between education and employment is a special field, which is based on adequate policies and measures assisting young people to transition from learning to making living.

In the end, measures which enhance employability of young people, i.e. their capacities to find and keep a job and measures which provide for removal of barriers to youth employment are interventions taking place closest to point when young people enter the labour market.

This, for example includes development of specific skills required for certain professions that were not gained during education or a set of measures to facilitate job finding for young people from certain vulnerable groups.

In any case, development of the future strategy that will define the employment policy will require an in-depth analysis of factors and framework in the employment policy making. This primarily refers to the analysis of the factors such as labour supply, labour demand and other factors affecting labour supply and demand.

In formulation of employment policies, it is necessary to apply a cyclic approach which implies a five-step process: analysis of the current situation, identification of key issues, generation and evaluation of the possibilities arising from policies and decision making, planning of policy implementation, and monitoring and evaluation of the impact of the policies.

From the point of view of policy planning and interventions, it is possible to define five key employment issues, as follows:

- Creation of new jobs
- Improvement of the level of labour force employability
- Harmonisation of labour markets
- Improvement of working conditions
- Equal access to employment

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