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# Performance of Western Balkan economies regarding the European Pillar of Social Rights

## Updated review on Bosnia & Herzegovina

Amar Numanović  
March 2020



EUROPEAN CENTRE FOR SOCIAL WELFARE POLICY AND RESEARCH

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## Executive summary

**BiH underperforms in the majority of areas covered by this report.** Labour and welfare outcomes are generally weak and relevant policies are underdeveloped in BiH, which is reflected through the Social Scoreboard: BiH is well below the EU average in almost all indicators (see Annex 1). Slow and incomplete implementation of the Reform Agenda and accompanying reform programmes have resulted in mild progress in these areas over the last three years and kept the majority of old challenges still relevant. Only a couple of modest reforms in areas relevant to this report have been implemented in 2019.

**BiH fails to promote equal opportunities and ensure proper access to the labour market.** Education and skills development are among the weakest segments of the BiH economy, negatively affecting prospects for employment and resulting in structural imbalances on the labour market. Results of the first PISA test conducted in BiH, published in December 2019, reveal that the quality and outcomes of the education system are far from being satisfactory. For example, around 58% of 15-year-old students performed at PISA mathematical literacy proficiency levels below Level 2, which is a notably higher share compared to the EU-28 average of 42%. A high rate of NEETs (21.2%) in 2019 suggests, among other things, that accessible and affordable non-formal education and training options are lacking. Gender labour market gaps are huge and the employment gap (17.9 percentage points) is persistent, while well-planned labour market measures integrated with an adequate family policy to stimulate women's inclusion in the labour market, are lacking. Besides, active support to employment suffers from many shortcomings, including an inability to react to beneficiaries' needs in a timely manner or to offer personalised services, but some progress in developing individual career guidance and counselling support has been achieved. It is also worth mentioning that both ALMP expenditure (0.23% of GDP) and coverage of unemployed persons (17.9%) have increased notably in 2018 compared to previous years. Finally, the task of administrating health insurance for the unemployed has been separated from the Public Employment Services in RS. Starting from 2020 onwards, this measure will alleviate the workload pressure on staff and enable PES to better utilise its resources in delivering active support to employment in a more effective way.

**The situation is somewhat better when it comes to ensuring fair working conditions, but the picture is rather mixed.** Recent labour regulation changes aimed to make the labour market more flexible and adaptable, but the implemented changes predominantly affected employment and working conditions in the private sector. These changes have also missed to properly address the modern labour market environment and challenges – temporary work agencies are still not regulated, while freelancers in the FBiH are not recognised within the social insurance system, although a part of service contracts' honorariums goes to social insurance funds. Generally, *de jure* workers' rights are well-protected in many domains, including the protection of personal data, but OSH is at worryingly low levels: the fatal accident incidence rate (3.2) is notably higher than the EU average and the number of serious injuries at work is alarming.

**There are notable gaps between the *de jure* and *de facto* situation with regard to some policies (e.g. work-life balance).** Furthermore, low wage levels, especially in the private sector, result in poor living conditions, while high labour tax burdens exacerbate this issue: the real growth of the net salary has been negligible during the past decade, while the estimated incidence of in-work poverty (24.5%) is exceptionally high by European standards. Also, low-wage earners are at a disadvantage due to the low progressivity of labour taxation. This issue is especially critical in the case of the FBiH, considering that labour taxation policy has not been changed for a decade: new laws on personal income tax and contributions are still on hold. Finally, tripartite social dialogue is weak in BiH, leaving less room for coordination of policy efforts and achieving the best balance between the interests of the social partners.

**The entity systems of social protection are outdated and leave many excluded.** Social insurance schemes that struggle with insufficient revenues and an ever-increasing number of beneficiaries are underperforming in terms of benefits level, its coverage, and the quality of service. Besides, many of those most vulnerable, if not formally included in the labour market, are poorly assisted by the social assistance schemes. The social assistance system is dominated by status-based benefits, while the coverage of means-tested benefits is low and the level of benefits meagre, thus not affecting the poverty status of its beneficiaries.

**Social services, such as preschool education and services for persons with disabilities are underdeveloped and unevenly supplied, sometimes available only in large urban centres.** The brunt of its underdevelopment is borne by children and citizens in need affecting their quality of life and social inclusion. Although the share of children included in preschool education is on the rise, a growing number of children are also left out of childcare services due to insufficient capacities of institutions to absorb them: 3,084 children, i.e. around 9.8% of the total number of those who applied, remained outside preschool education system in 2018. The lack of available and accessible services is usually substituted by care work of women in family and/or high out-of-pocket payments.

**The economy does not have a system of long-term care in place.** Although some elements of long-term care and provision of services for persons with disabilities and their families at the local level can be found in some strategic documents, the need for these services has never been assessed in a systematic manner. Notable improvement has been achieved in RS with the recent Amendments to the Law on Child Protection, adopted in December 2019, introducing financial assistance in the amount of 25% of the minimum salary to unemployed parents of children who need 24-hour care.

**The needs of certain groups, such as the homeless are completely ignored.** Entity legislation on social protection does not recognise homelessness as a social issue. Despite existing needs, the economy has only two public shelters with a limited number of beds and a few shelters run by CSOs.

**Although BiH is struggling with substantial problems in the majority of the covered areas, particularly strong challenges for the economy exist in the following areas:** education and skills development, active support to employment, effectiveness of social protection and social

inclusion policies, wages and labour taxation, occupational health and safety, while social dialogue is underdeveloped and underutilised, although it should be a centrepiece of labour market and welfare policies.

# 1 Introduction

**Labour and social policy in Bosnia and Herzegovina (hereinafter: BiH) is within the competence of entities and Brčko District (hereinafter: BD). In the Federation of Bosnia and Herzegovina (hereinafter: the FBiH), social policy and health protection are within the shared competence of the entity and ten cantons. The systems' fragmented and asymmetric organisation and shared and sometimes overlapping competencies make the monitoring and steering efforts difficult.** In that sense, FBiH ministries responsible for labour, social policies and health protection are the FBiH Ministry of Labour and Social Policy and the FBiH Ministry of Health and respective ministries in the ten cantons. However, as significant part of the social expenditure is directed towards war veterans, the work of the Ministry of War Veterans and Disabled War Veterans and respective ten cantonal ministries of war veterans is also relevant. In Republika Srpska (hereinafter: RS), the RS Ministry of Labour, War Veterans and Disabled Persons' Protection and the RS Ministry of Health and Social Welfare are responsible for policy making in these areas, including monitoring of the trends. The Department for Health and Other Services is competent for social policy in BD, while a separate department for labour does not exist at the moment. As the central-government level does not have competencies for social policy nor social protection, the BiH Ministry of Civil Affairs and the BiH Ministry of Human Rights and Refugees are assigned only a coordinating role when representing the economy's interests abroad. Along with the competent ministries, a monitoring role is assigned, by relevant laws and policies, to the entities' and BD's economic and social councils, but primarily for the purpose of their internal decision-making. Besides, at the level of the central government, Labour and Employment Agency has a coordinating role (including monitoring and data-collection) when representing public employment services of entities and BD abroad. The BiH Directorate for Economic Planning is in charge of analysing economic and social trends as well as monitoring the implementation of economic strategies. When it comes to occupational health and safety, this area is monitored by the administrations for inspection affairs in coordination with the above-mentioned relevant ministries. Finally, entity and central-government-level institutes/agencies for statistics are in charge of gathering and systematizing statistical data on the relevant labour market, education and social indicators and conducting surveys based on internationally defined methodologies (e.g. Labour Force Survey, Household Budget Survey, etc.).

**There are few independent<sup>1</sup> monitoring initiatives that partially cover labour market and social policy, while efforts to cover these areas in a systematic, in-depth and rigorous manner are lacking.** The Initiative for Monitoring the European Integration of BiH<sup>2</sup>, an informal coalition of

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<sup>1</sup> Initiatives by BiH political organizations and international foundations of political parties were not considered by this report.

<sup>2</sup> Official website: <https://bit.ly/2D3KxJy>.

civil society organizations formed in 2013, publishes an annual Alternative Analytical Report on the Application of BiH for EU Membership, which partially covers labour market, equality and social policy issues, especially for disadvantaged groups. Along with the annual report, the Initiative publishes *ad hoc* analyses on various topics, predominantly in the area of human rights, but also including labour and social policy. USAID's initiative for monitoring and evaluation support activity MEASURE-BiH<sup>3</sup> also provides useful and comprehensive analyses of the economic, social and equality issues, but more on an *ad hoc*, rather than on a regular basis. Since 2016, MEASURE-BiH annually conducts and publishes the National Survey of Citizens' Perceptions in BiH, covering, *inter alia*, perceptions on gender, social inclusion, youth development and EU integration. Also relevant is the National Youth Survey in BiH conducted for 2017 and 2018, which gives insights into the state of BiH youth examining their perceptions, attitudes and relevant experiences on relevant topics including education, employment and migration intentions. Finally, the most systematic analysis of labour market trends and relevant policies is offered through the Jobs Gateway of the South-Eastern Europe platform<sup>4</sup>, a joint effort of the World Bank and the Vienna Institute for International Economic Studies. The comparative research report Western Balkans Labour Market Trends, which the Platform publishes annually, provides comprehensive insights into labour market trends and issues at both national and regional level.

**The knowledge base for informed and evidence-based policy discussions is poor, considering that the policy-relevant research activity of non-governmental actors and academia is low, while research outputs are often of low quality.** In that sense, the majority of civil society organisations, as well as the social partners have very limited and weak internal capacities for conducting sound research and analyses (Analitika – Center for Social Research, 2018). There are only few think tanks with the specialisation/expertise in the areas of labour market, education and social policy, and their activity has been low, especially over the past two years (2017-2018)<sup>5</sup>, which reflects a lack of donors' interest in this area of research.

**Data required by the Social Scoreboard indicators are partially available, while low availability of empirical research, sound findings and data non-related to the Social Scoreboard make the secondary inquires limited.** The aforementioned lack of quality research leaves many aspects of labour market and social issues and policies underexplored, thus limiting the analysis and interpretation of data, especially with regard to the critical analysis of policy developments. A lack of official statistical data and unavailability of administrative data also contribute to this and undermine the comparability of findings with the EU and Western Balkan economies. The

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<sup>3</sup> Official website: <https://bit.ly/2YRjfdD>.

<sup>4</sup> Official website: <https://bit.ly/2uTmEQk>.

<sup>5</sup> Banja Luka-based Gea – Center for Research and Studies, a think tank specialised in economic and social policy, published only two research reports in 2017, none in 2018 and one in 2019. Sarajevo-based Analitika – Center for Social Research, which had a research programme in labour market and social policy, has not published any paper in this domain since 2017 and has published only few in the first half of 2017. IBHI – Initiative for Better and Human Inclusion, which used to be one of the prominent think tanks in the area of social policy and inclusion, has not published any relevant paper since the first quarter of 2017. CPU – Centre for Policy and Governance and CREDI – Centre for Development Evaluation and Social Science Research have low levels of publishing activities. Please note that this is a limited author's observation and does not necessarily capture the whole picture. Also, mentioned think tanks/CSOs are those that the author finds the most relevant in this area.

implementation of much of the social statistics *acquis* appears to be pending political decision making. For instance, all technical preparations for conducting the Statistics on Income and Living Conditions (SILC) are completed, but its implementation is being continuously postponed, leaving a gap in data (e.g. *Impact of social transfers on poverty reduction, GDHI per capita*, etc.). However, this report tries to gather the available relevant data/findings and make an evidence-rich analysis of the topics covered.

## **2 Bosnia and Herzegovina's performance in the 20 principles of the European Pillar of Social Rights**

### **2.1 Chapter I: Equal opportunities and access to the labour market**

#### **2.1.1 Education, training and life-long learning**

**The education system<sup>6</sup> in BiH is underdeveloped and results in poor outcomes.** According to Bartlett, Branković, & Oruč (2016), higher education in BiH is among the weakest in the region and characterised by a falling number of students, high student-teacher ratios, relatively low completion rates and inadequate responsiveness to industry needs. The Global Competitiveness Report 2019 ranked BiH 135<sup>th</sup> out of 141 economies in terms of skillset of graduates; 134<sup>th</sup>/141 regarding the quality of vocational training; and 131<sup>st</sup>/141 when it comes to ease of finding skilled employees (Schwab, 2019). The position of the economy in this respect has further deteriorated since 2018 (see Schwab, 2018). Finally, with the public expenditure on education system amounting to 3.9% of the GDP in 2019 (BiH Directorate for Economic Planning, 2020), BiH performs notably below the EU-28 average of 4.6% of GDP (EUROSTAT, 2019a); the expenditure on education slightly decreased (by 0.2 percentage points) over the last four years (see BiH Directorate for Economic Planning, 2017).

**The low quality of education and its insufficient alignment with industry requirements negatively affects labour market performance.** Outdated curricula and teaching methods, accompanied with low cooperation between education institutions and business sectors, lead to skills mismatches and low employability of the labour force, “which underpins high unemployment and inactivity rates” (Oruč & Bartlett, 2018, p. 28). Thus, for example, according to the results of the Balkan Business Barometer 2019, 72% of surveyed companies<sup>7</sup> that experienced difficulties filling in vacancies attributed the issue to the lack of skills among applicants (Regional Cooperation Council, 2019). Around 1/3 of young people work outside of their profession (Jusić & Numanović, 2017; Bartlett, Branković, & Oruč, 2016), while around 38% of graduates are overqualified for the position where they are employed and 15% of them are underqualified, indicating a high vertical mismatch along with a horizontal one (Bartlett, Branković, & Oruč, 2016). Skills mismatch is exacerbated by the fact that “employers are rarely willing to bear the cost of

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<sup>6</sup> Regulation of education is fragmented in BiH, i.e. shared between the central government level, entities, Brčko District and cantons in FBiH, resulting in the policy environment where education policies are managed and shaped by 14 education ministries.

<sup>7</sup> This portion slightly declined compared to previous years when it was closer to 80%, i.e. more precisely, 77% in 2018 and 84% in 2017 and 2016.

initial on-the-job training” (Oruč & Bartlett, 2018, p. 28), while training measures are neglected and underutilised within the current design of active labour market policies in BiH (see Section 4 of this chapter). As a result, structural unemployment is persistent in BiH, while poor quality of education system can be considered as one of the major determinants of high unemployment rate among youth (Numanović, 2016; Oruč & Bartlett, 2018).

**BiH has a high share of youth who are not in employment, education or training (hereinafter: NEETs), much above the EU-28 average and among the highest in the Western Balkans region.** Namely, the youth NEETs rate (15-24 years) amounted to 21.2% in 2019 (ILO, 2020). Despite the fact that the NEETs rate has been decreasing in recent years (see Figure 1) – primarily due to positive labour market trends – thus being by 6.9 percentage points lower compared to 2015, it was still much higher than the EU-28 average of 10.4% for the same age cohort in 2018 (EUROSTAT, 2020; see also Annex 1). Although the NEET rate in BiH was higher among men than among women for many years (Vidovic et al, 2019), that changed in 2019: the male NEET rate was 20.8%, while the rate for women was 21.7%. In that sense, the rate has dropped by 8.9 percentage points for men and, notably less, by 4.7 percentage points, for women since 2015 (see ILO, 2020). The high NEET share could be partially explained by the lack of employment opportunities (high youth unemployment rate of 33,8% in BiH) and discouragement, but also by insufficient and inefficient activation measures and active support to employment, which would put more focus on (re)training (see Section 4 of this chapter). In other words, young people are lacking accessible and affordable employability-enhancing training and lifelong learning options, which could lead to skills development and better prospects on the labour market (see Numanović, 2016a; Hakemulder & Wilson, 2016; Bartlett, Branković, & Oruč, 2016; Oruč & Bartlett, 2018).

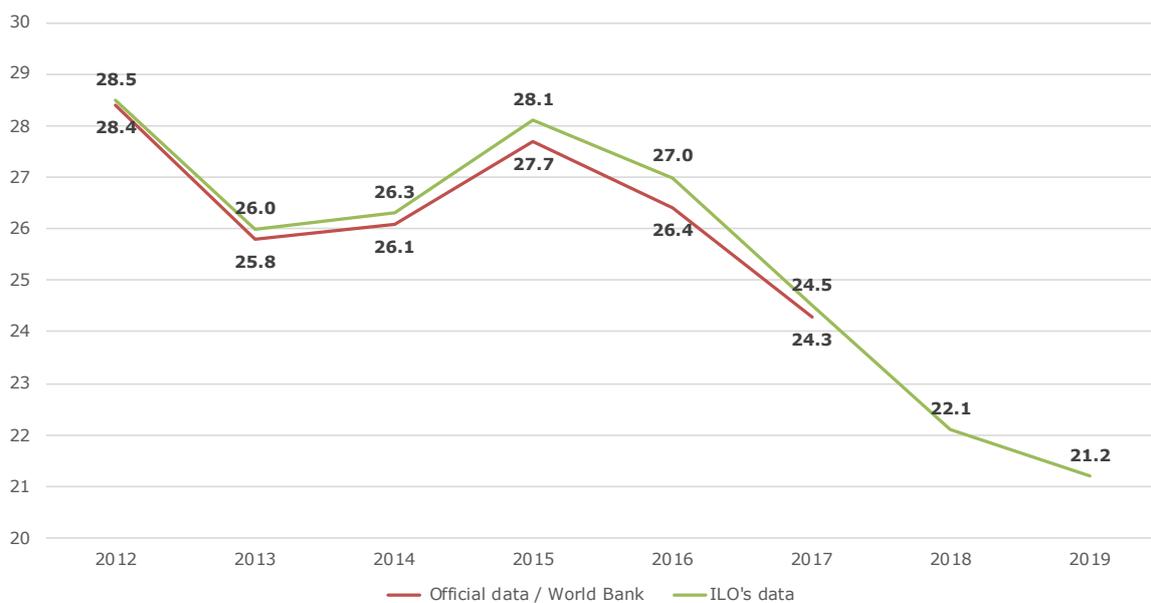
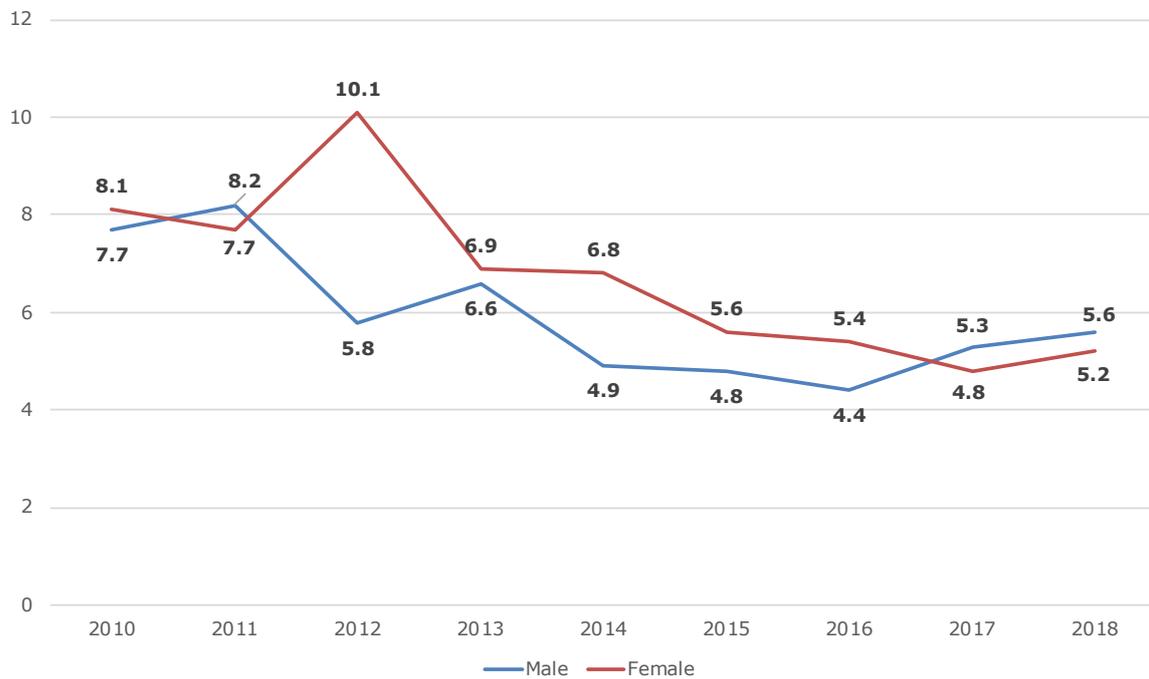


Figure 1. NEET rate (15-24) in BiH, 2012-2019 (%)

Source: Vidovic et al., 2019; ILO, 2020

**Negative trends in new school enrolments were recorded for all education levels, coverage of children by preschool education is still at a very low level, while it seems that the early leavers' rate started to increase since 2017.** Compared to the previous year (2017/2018), the number of newly enrolled children in primary education was less by 1.3%, the number of students enrolled in secondary education fell by 5.4%, while the number of university degree graduates fell by 2.5% (this has been constantly decreasing since 2013) (Agency for Statistics of Bosnia and Herzegovina, 2020; Ministry of Civil Affairs BiH, 2019). Therefore, it represents the continuation of the negative trend that has been recorded in recent years, which can be partially explained by the declining demographic trends and the high level of emigration from the economy. On the other hand, there is a trend of increase in the number of children enrolled in preschool education in the past few years and the number increased by 10.1% in 2018/2019 (28,511 children compared to 25,889 in 2017/2018) (Agency for Statistics of Bosnia and Herzegovina, 2020). However, around 9.8% of children (3,084) remained outside of the preschool education due to a lack of capacities of preschool education institutions to absorb them (Ibid.). Also, the coverage of children by the preschool education is still at a very low level (see Section 11, Chapter 3 of this report). Finally, after continuously falling for several consecutive years, it seems that the early leavers (18-24) rate has started to increase slightly after 2016 (see Figure 2), especially for men. Namely, the rate increased by 1.2 percentage points for men during the period 2016-2018. For women, it fell by 0.2 percentage points over the same period, but it rose by 0.4 percentage points in 2018 compared to the year before (Agency for Statistics of Bosnia and Herzegovina, 2018e; Agency for Statistics of Bosnia and Herzegovina, 2019a; BiH Directorate for Economic Planning, 2019). The early leavers rate is below the EU average of 10.6% in 2018 (see Annex 1).

Figure 2. Early leavers from education and training (18-24) in BiH, disaggregated by gender, 2010-2018 (%)



Source: Agency for Statistics of Bosnia and Herzegovina, 2018e; Agency for Statistics of Bosnia and Herzegovina, 2019a

**Education outcomes and trends are worse among women.** Thus, for example, although the annual number of graduates has been falling for both genders in recent years, the drop in the number of female graduates is notably higher than for men: for the sake of illustration, there were 1,340 fewer female graduates (-13.8%) and 791 fewer male graduates (-12%) in 2018 compared to 2014 (Agency for Statistics of Bosnia and Herzegovina, 2019a). Furthermore, women are less likely to continue their education after obtaining an MA degree than men. While women consist 61.5% of new annual MA degree graduates, less than half of PhD graduates are women (45%) and there have been no significant changes in this regard recently (Ibid.).

**The education system in BiH fails to ensure an adequate level of inclusivity for children and persons with disabilities.** Although the legal and policy framework protects the right of inclusive education for children and youth with disabilities – stipulating that “in the 65 laws at all levels of government” – the implementation of these policies is partial, partially due to the fact that many of these laws “do not (...) oblige governments to allocate resources in their budgets for the enforcement of the education legislation, apart from funds for monitoring and coordinating these activities” (Somun Krupalija, 2017, p. 28). Usually, basic preconditions for inclusive education - such as accessible education institutions, accessible equipment and learning tools, adapted curricula and teaching methods, trained teachers and access to experts, etc. – are partially or not at all fulfilled (Ibid.). So-called special schools are still the predominant way of involving children with disabilities in education, while inclusion in standard schools is lacking (The Initiative for Monitoring the European Integration of BiH, 2018, p. 35)

**Although some progress has been achieved, the inclusion of Roma in education is still insufficiently effective and limited.** According to some research, “two out of five Roma children have never been enrolled in school” (MEASURE-BiH, 2017, p. 23), but the exact data does not exist because many new-born Roma children are often not formally registered by their parents. There is also a trend of Roma girls dropping out of school “for various reasons, mainly poverty, emigration from BiH to other economies, and even early marriage” (The Initiative for Monitoring the European Integration of BiH, 2018, p. 33). As a result, according to the latest available data, 71.2% of Roma did not complete primary education (slightly less than half of them have an incomplete primary education), 25.1% completed only primary education, 12.8% have completed secondary school, while only 0.5% have a higher education degree (Agency for Statistics of Bosnia and Herzegovina, 2018e, p. 24).

**Although a non-negligible share of the adult population participates in learning, the majority of them are highly educated and employed.** According to the results of the 2017 Adult Education Survey, 8.7% of adults (25-64) participated in learning (education or training): 2.2% in formal education and 6.9% in informal training. Participation is slightly higher among men (2.2% and 7.1%) than among women (2.1% and 6.7%) (Agency for Statistics of Bosnia and Herzegovina, 2018f). Participation in learning was more prevalent among the 25-34 age cohort (including prolonged studying) and those who completed tertiary education. Among participants who attended informal education, 83% were employed persons (ibid.). The rate of adults participating in learning is below the EU-28 average of 10.9% for the same year (see Annex 2); however, the data is not fully comparable, considering that 2017 Survey conducted by the Agency for Statistics of BiH observed the period of 12 months prior to the survey, while the data for EU captured the period of 4 weeks preceding the survey.

**Results of the first PISA test conducted in BiH revealed that the quality and outcomes of the education system in the economy are inadequate.** Namely, the first PISA test was implemented in 2018 and the results were published in December 2019. The mean score of students was 403 points in reading, 406 in mathematics and 398 in science, all far below the OECD averages (487 for reading and 489 for mathematics and science) (Avvisati, Echazarra, Givord, & Schwabe, 2019). Around 58% of 15-year-old students performed at PISA mathematical literacy proficiency levels below Level 2 (ibid.), which is a notably higher share compared to the EU-28 average of 42% (see Annexes 1 and 2). BiH is behind the majority of Western Balkan economies in the areas of mathematics (North Macedonia and Kosovo\* are ranked lower) and science (only Kosovo\* performs worse). Results revealed that the socio-economic status of students is a strong predictor of their performance: it explained 8% of the variation in mathematics performance and 7% in science performance, compared to the OECD averages of 14% and 13% respectively (ibid.). In terms of reading skills, disadvantaged students are outperformed by their colleagues (advantaged students) by 58 score points, below the average of 89 score points in OECD economies (ibid.).

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\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence

When it comes to gender equity, boys and girls performed similarly in both mathematics and science (Ibid.).

**Although education is underdeveloped, reforms in this area are implemented at a slow pace and little progress.** All Economic Reform Programmes since 2018, including the latest one (2020-2022), recognized skill mismatches and gaps as the key issue of the education system in all administrative units in BiH. However, little progress has been achieved so far. There were no substantial reforms in this respect in 2019. The Platform for the Development of Preschool Upbringing and Education in BiH for the period 2017-2022 was adopted in December 2017 by the Council of Ministers of BiH (see Section 11 in Chapter 3 for more details). RS progressed with reforming primary and secondary education in 2017 and 2018. The Law on Elementary Education was adopted in February 2017, introducing a written test for pupils after completion of the ninth grade (i.e. after completion of elementary education), which should evaluate their educational achievements in order to be used for scoring and ranking when enrolling in secondary education. The Law on Secondary Education adopted in May 2018 promotes strengthening the relationship with the private sector through practical classes spent in companies, for what is expected to reduce skills mismatches on the labour market. When it comes to the FBiH, the Student and Education Staff Mobility Fund was established by the FBiH Government in April 2017, as envisaged by ERP 2017-2019. Finally, the Law on Dual Education is in the process of preparation in the Sarajevo Canton and the first draft was already developed in 2019. In January 2020, the Government of the Sarajevo Canton instructed the cantonal Ministry of Education, Science and Youth to submit the draft law for review and the adoption procedure.

## **2.1.2 Gender equality**

**Gender equality is guaranteed and protected by relevant laws in BiH.** Thus, any discrimination on the basis of gender is prohibited by the BiH Law on Prohibition of Discrimination (art. 2), while specific aspects of gender equality are defined by the Law on Gender Equality in BiH. The principles of gender equality and non-discrimination are also emphasized by labour law. Furthermore, BiH “has ratified all major international documents in the field of women’s rights, and special gender equality bodies (gender mechanisms) have been established” (The Initiative for Monitoring the European Integration of BiH, 2018, p. 28). However, practical implementation of these policies and enforcement of relevant laws is poor, creating a notable gap between the *de jure* and *de facto* state of gender equality and women’s rights in BiH (Ibid.). No significant progress was achieved in that regard during the period 2017-2019.

**Women are less present in political and policy decision making, less educated, and at a disadvantage on the labour market, suggesting that a comprehensive policy response is needed in this domain.** Since the last general elections, held in October 2018, women are represented with around 27.5% in legislative bodies (all administrative levels included), which is above the 2014-2018 average by approximately 7 percentage points (The Initiative for Monitoring the European Integration of BiH, 2019; Agency for Statistics of Bosnia and Herzegovina, 2019a). Therefore, it could be said that slight progress has been achieved in this domain recently.

According to the latest available data, there is a significant gender gap in levels of education: 20.4% of women aged 15 or more years have not completed primary education, compared to 7.4% of men (Agency for Statistics of Bosnia and Herzegovina, 2018e, p. 55). This can be partially attributed to the heritage of the past but part of it is also due to the current setup and policies as mentioned in Section 1. Finally, the gender gap in labour market outcomes is tremendous and recent positive economic developments have not affected this gap significantly.

**The participation of women in the labour market is significantly lower than that of men.** The female activity rate (15+) of 32.9% was lower than that for men (51.7%) by 18.8 percentage points in 2019 (Agency for Statistics of Bosnia and Herzegovina, 2019f). Furthermore, the gap has been reduced by 0.9 percentage points in 2019, compared to 2018. The trend of the gap gradually being reduced in recent years has continued, which is primarily driven by the constant drop in male activity rates, rather than by the significant increase in activity among women. Some of the key causes of low participation of women in the labour market can be found in low education levels among women, cultural reasons - primarily traditional family roles assigned to women, such as care for children and other family members – but also in a lack of affordable and accessible (in rural areas) childcare services (Vidovic et al, 2019, p. 5; Vidovic et al, 2017, p. 7).

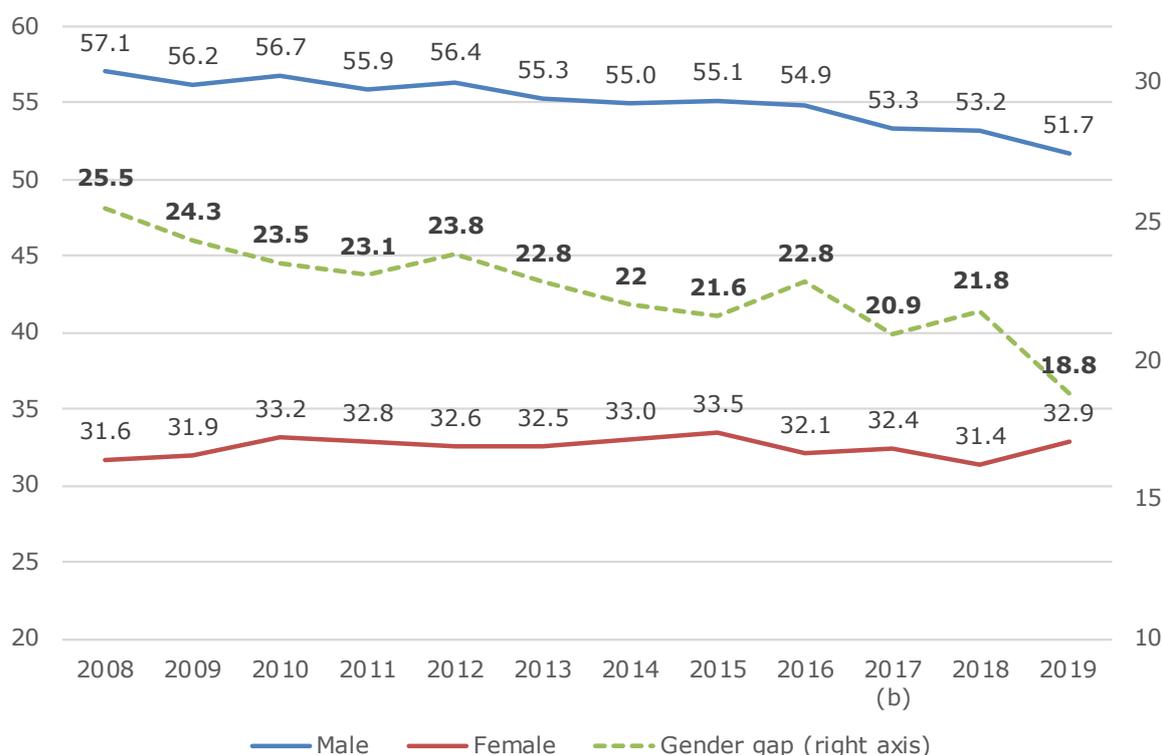


Figure 3. Activity rates (15+) among women and men (%), including the gender gap (percentage points) in BiH, 2008-2019

Source: Labour Force Surveys 2008-2019

**The gender employment gap in BiH is significantly above the EU-28 average and without improvements recently.** Thus, the employment rate (15+) among women was considerably lower in 2019, 26.7% against 44.6% among men (Agency for Statistics of Bosnia and Herzegovina, 2019f). The gender employment gap of 17.9 percentage points decreased slightly compared to 2018 (19.1 percentage points), thus reaching the point below the ten-year average of 18.5 percentage points (see Figure 4). The gap was even higher for the 20-64 age cohort: 23.6 percentage points in 2019, almost without change compared to 2018 (see Ibid.). In that sense, the gap (20-64) was substantially bigger than the EU-28 average in 2018 (11.6 percentage points) (EUROSTAT, 2020c). According to 2018 data, Kosovo\* is the only economy in the Western Balkans with a bigger gender gap (15+) in employment (33.3 percentage points) than BiH (Vidovic et al, 2019, p. 12). Finally, the share of part-time employment among women (10.3%) is somewhat higher than among men (7.7%) and without a significant change compared to the year before (Agency for Statistics of Bosnia and Herzegovina, 2019f).

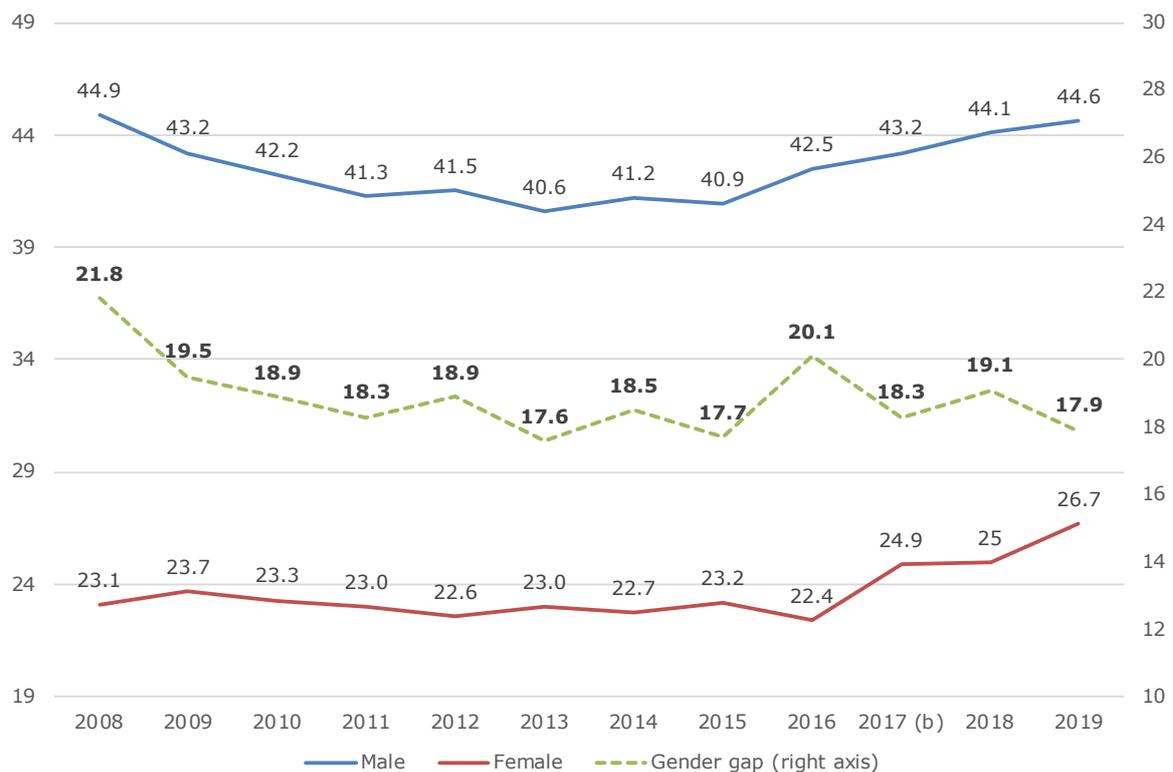


Figure 4. Employment rates (15+) among women and men (%), including the gender gap (percentage points) in BiH, 2008-2019

Source: Labour Force Surveys 2008-2019

**Starting, maintaining and progressing a career is much more challenging for women than for men and women are less present in entrepreneurship.** Thus, for the sake of illustration, women with secondary and higher education are more likely to be unemployed, compared to men with

the same levels of education (MEASURE-BiH, 2016, p. 55). Pregnancy and maternity leave often undermine the career progression of women, or even result in drop out from the labour market (Vukmanić, 2016), considering that child rearing is often borne by women. Furthermore, despite the fact that sound research and comprehensive data are lacking, some evidence indicates that women are significantly less present in managerial positions of companies and institutions. For example, while women consist around 53% of public administration employees, they are predominant in the job positions that are lower in the hierarchy, less managerial and less paid (officers, associates and advisers), while men are dominating in higher positions (e.g. head of organizational unit: 53%, head of institution: 83%, assistant minister: 56%) (Agency for Statistics of Bosnia and Herzegovina, 2019a). According to an unofficial survey conducted by *Poslovne novine* (2019) on a sample of 5,215 companies, women are leaders of only 19% of these companies. Finally, partial official data, available for RS, show that women are the owners of 27.3% and co-owners of 1.9% of businesses in RS, but the majority (97.6%) of businesses owned by women are micro-enterprises employing up to 9 people (Government of RS, 2018). Relatedly, access to finance (e.g. loans) is harder and more limited for women than for men (MEASURE-BiH, 2016; World Bank, 2015).

**Although comprehensive and sound data on the gender pay gap in BiH is lacking, partial evidence indicates worrisome gender differences in earnings.** The Agency for Gender Equality of Bosnia and Herzegovina (2018) estimated that the average hourly wage for women was lower than for men by EUR 0.2, i.e. by around EUR 35 lower on a monthly basis (corresponding to around 5% of the monthly gross salary). A survey conducted by Kolektiv Ltd (Plata.ba) and Profesia (Paylab) shows that women earn 25% less than men in Sarajevo (BiH capital city) and 17.6% in other parts of the economy. When salaries for three professions were compared – software programmers, marketing managers and sellers – they found that women earn only 79-83% of their male colleagues' earnings with the same or similar job titles (Kolektiv, 2019). Other data show that the gender pay gap varies from EUR 88.5 among the population without a degree to EUR 57.6 among those at the level of secondary school diploma or higher (Stanković, 2017). Women with higher education degrees earn around 92% (net wage) of their male colleagues (Ibid.). According to Stanković (2017, p. 9), the gender pay gap “is largest in the industrial sector and smallest among public servants”. Finally, some earlier findings suggest that women were more present in jobs with lower salary grades than men (Somun-Krupalija, 2011, pp. 6-7) and that, in general, “men tend to earn around 9% more than women” (World Bank, 2015, p. 28). However, an in-depth analysis of the wage gap cannot be conducted due to a lack of sound and comprehensive data.

### **2.1.3 Equal opportunities**

**BiH fails to ensure equal opportunities for all society groups.** Even in those cases where the legal framework is satisfactory and aligned with the EU *acquis* and good practices, institutions often fail to enforce laws and implement policies in an adequate manner. Women (see Section 2 of this chapter), Roma and persons with disabilities (see Section 11, Chapter 3) are at a disadvantage and

do not have equal access to education, labour market and social protection schemes, while active policy measures are lacking or are insufficiently effective. LGBTI persons are facing exclusion and discrimination, but it is not known to what extent this affects economic opportunities for sexual minorities. Finally, many people are locked in poverty due to weak social protection schemes and activation measures, further deteriorating their prospects for economic inclusion.

**Poverty and economic inequality are persistent issues, lowering opportunities for many to achieve full potential in developing skills and equally participating in the labour market.**

According to the latest available Household Budget Survey's data (2015), 16.5% of households and 16.9% of individuals live in relative poverty (at risk of poverty) in BiH, spending EUR 199 (BAM 389) or less on consumption per month (Agency for Statistics of Bosnia and Herzegovina, 2018a). In that sense, a slight improvement was recorded in 2015 compared to 2011 (17.2% and 17.9% respectively). When it comes to poverty based on income, it is estimated that around 25.5% of households live in poverty (Agency for Statistics of Bosnia and Herzegovina, 2018a). The expenditure-based poverty gap is 24.6% according to 2015 data, while the income-based poverty gap is estimated to be 59.9% (Agency for Statistics of Bosnia and Herzegovina, 2018a, 2017a). Furthermore, BiH faces high economic inequality, which is among the highest in Europe. The estimated Gini coefficient for income inequality was 48.7 in 2015 (Šabanović, 2017), increasing from 44 in 2011 (Đukić & Obradović, 2016), while the S80/20 ratio was 20.2 (Agency for Statistics of Bosnia and Herzegovina, 2017a). Consumption inequality in 2015 remained unchanged compared to 2011: the S80/S20 ratio was 4.9 and the Gini coefficient was 31.2 (Agency for Statistics of Bosnia and Herzegovina, 2018a). BiH performs notably worse than the EU in this domain (see Annex 1).

**Persons with disabilities cope with a wide range of challenges, from basic access to the infrastructure to participating in the labour market, often negatively affecting their well-being and putting them at higher risk of poverty.**

Having a disability increases the possibility of becoming poor by 18% in BiH (IBHI, 2016). In that sense, 23% of households with a person with disability, compared to 19% of other households, are in a state of poverty (Ibid.). This can be explained by higher costs for the family (disability-related equipment, medicine, services, etc.) but also by lower prospects for employment or higher-paid jobs. Low access to education (see Section 1 of this chapter) and low access to necessary medical treatments also undermine the future employability of persons with disabilities and their general prospects on the labour market. However, there are special schemes within active labour market measures to support the employment of persons with disabilities, usually implemented through entities' funds for professional rehabilitation and employment of persons with disabilities. However, these measures are primarily concentrated around hiring and self-employment subsidies, while some other instruments, such as supporting the establishment of social enterprises, are underutilised (IBHI, 2016; see Section 17 in Chapter 3 for more details).

**Roma are the most vulnerable and disadvantaged ethnic group in BiH.** According to the data from 2015, the poverty rate is around three times higher among Roma compared to the general population (World Bank, 2015, p. 28). Furthermore, 1/3 of Roma are not covered by health insurance (Ibid.; see also The Initiative for Monitoring the European Integration of BiH, 2018, pp.

31-33), and in their majority, have no income or social assistance support (The Initiative for Monitoring the European Integration of BiH, 2018, p. 32). Limited access to education (see Section 1 of this chapter) and discrimination against Roma result in low prospects for employment and career progression. There are active labour market measures particularly designed for unemployed Roma in both entities and in BD. These measures consist of hiring subsidies and support to self-employment. However, low education and skills levels among Roma, low inclination of employers to hire Roma and low coordination of measures with municipalities (i.e. municipality-level governments) make these measures less effective and more challenging for implementation (The Initiative for Monitoring the European Integration of BiH, 2018, p. 32). On the other hand, (re)training measures, which could help Roma to obtain skills in demand, as well as an adequate counselling approach are lacking (Ibid.). Finally, the Law on Permanent and Temporary Residence of Citizens of Bosnia and Herzegovina, adopted in 2015, represents a significant barrier for the Roma population to exercise their rights (The Initiative for Monitoring the European Integration of BiH, 2019). Namely, considering that many Roma people do not own houses and live in improvised or illegal houses, they are not able to register their residence in line with this law (Ibid.). It prevents Roma people to get IDs and other relevant documents necessary for exercising other rights (e.g. education, social assistance, etc.). Despite the social exclusion Roma population faces, there were no significant improvements in this domain during 2019 (Ibid.).

**LGBTI people face various types of discrimination and violence, including in employment, at the workplace and in education.** Research conducted by the National Democratic Institute in 2015 shows that 36% of surveyed LGBTI people have experienced some form of discrimination in employment or at the workplace (Vasić, Gavrić, & Bošnjak, 2016, p. 28; see also The Initiative for Monitoring the European Integration of BiH, 2019). Furthermore, it is worrisome that education institutions are places where LGBTI experience discrimination most often (Sarajevo Open Centre, 2017). Still, there is no comprehensive research on the economic repercussions of discrimination and exclusion on LGBTI people in BiH (e.g. in terms of participation in the labour market, employment, poverty, pay equality, etc.).

## **2.1.4 Active support to employment**

**BiH is coping with poor labour market outcomes, especially high unemployment with both structural and cyclical characteristics.** The unemployment rate (15+) was 15.7% in 2019 and the youth unemployment rate (15-24) is especially high: 33.8% (Agency for Statistics of Bosnia and Herzegovina, 2019f; see also Annex 1 and Annex 2 for the elaboration of key labour market indicators and for a comparison with EU trends). Although both general and youth unemployment rates are constantly falling since 2016, they are still at worrisome levels and among the highest in the Western Balkans (see Vidovic et al, 2019). The share of long-term unemployment in total unemployment is extremely high and persistent, while no improvement in this regard was recorded during the past decade (see Figure 5): 76% of the unemployed are looking for a job for 12 months or longer, while almost half of them remain unemployed for five years or more

(Agency for Statistics of Bosnia and Herzegovina, 2019f). According to the latest available data (2018), the long-term unemployment rate was 15.2%, notably above the EU average of 2.9% in the same year (see Figure 5 and Annex 1).

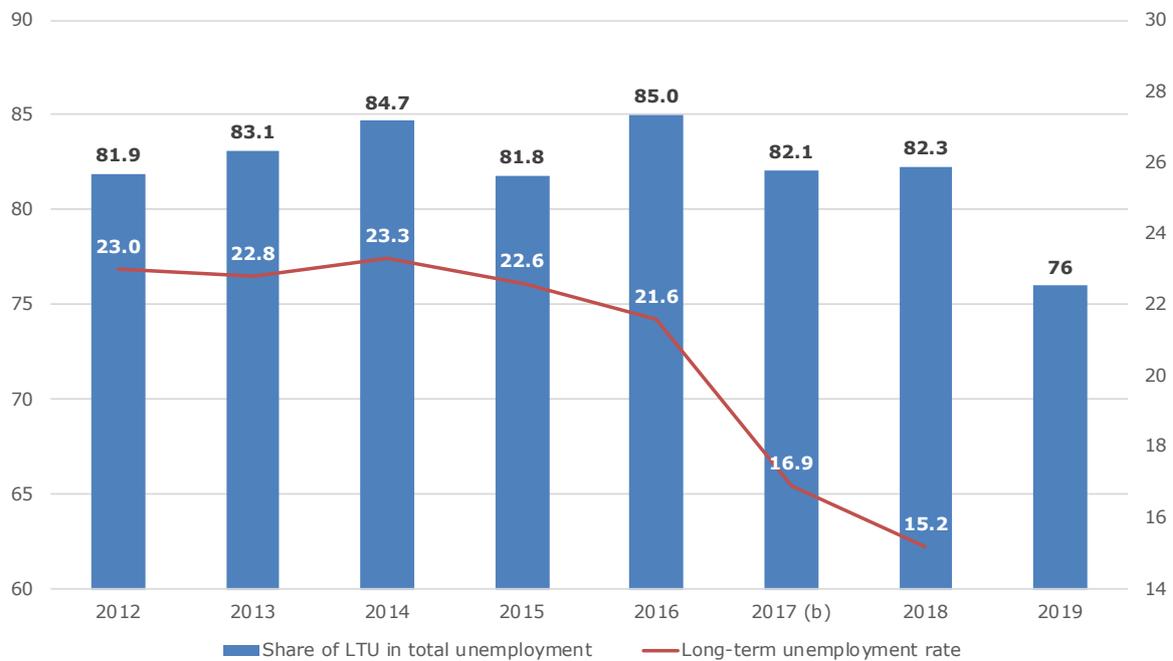


Figure 5. Long-term unemployment rate and the share of long-term unemployment in total unemployment in BiH, 2012-2019 (%)

Source: Labour Force Surveys 2008-2019, Vidovic et al., 2019

**Despite the poor labour market outcomes, mechanisms for active and timely support to employment are underdeveloped.** First of all, active labour market policies (hereinafter: ALMPs) in BiH are predominantly oriented toward insufficiently personalised hiring and self-employment subsidies (i.e. wage or/and tax subsidies). Around 90% of total public spending on ALMPs goes on these measures, i.e. approximately 70% on hiring subsidies and 20% on self-employment subsidies (author’s estimate based on the information available at the Labour and Employment Agency of BiH, 2018). Training programmes, which have the potential to address structural unemployment to some extent and prevent skills deterioration among the newly unemployed, are a neglected active measure and there have not been major improvements recently (Numanović, 2016; 2016a). In that sense, less than 10% of ALMP spending goes to training measures (e.g. retraining, on-the-jobs training, etc.) (Labour and Employment Agency of BiH, 2018). Second, timely support to unemployed persons is usually lacking, primarily due to the poor (i.e. almost non-existent) individual guidance and counselling system and poor targeting of ALMPs (as elaborated later in this section), putting unemployed persons at risk of slipping into long-term unemployment and becoming less employable. This is an especially critical issue when it comes to recent graduates. It takes around 8 months, on average, for new graduates to find their first

employment, while currently unemployed graduates are, on average, unemployed for 14 months (Bartlett, Branković & Oruč, 2016, p. 36). Public employment services play a minor role in this issue and provide little or no help to graduates: 88% of surveyed graduates confirmed that help from employment agencies was lacking or was minor (Ibid.; see also Oruč & Bartlett, 2018).

**Targeting of ALMP measures is not sufficiently personalised, i.e. linked to counselling schemes.**

Namely, hiring subsidies, as well as the majority of other schemes, are usually implemented in the form of public calls for employers<sup>8</sup>. In that sense, the employer applies for the subsidies and recruits unemployed persons in line with each scheme's criteria. There is no well-established mechanism for individual guidance through the job-seeking process that could steer participation in the ALMP programmes with respect to the identified needs of an unemployed person (see Numanović, 2016, pp. 44-48). Although there is no evaluation which would provide empirical insights, it can be assumed that a lack of a personalised approach to targeting beneficiaries leads to higher dead-weight and displacement effects, meaning that those employers which have anyhow planned to employ additional staff (i.e. created new jobs) are using ALMP schemes to reduce hiring costs, but also that some beneficiaries (unemployed persons) have better employment prospects than other (see Numanović, 2016 for more detailed elaboration). Public employment services have put more effort in 2018 and 2019 into strengthening counselling services, profiling of jobseekers and developing and introducing individual employment plans as a means of intermediation. This activity is part of the projects implemented with support from the non-governmental initiative Youth Employment Project (YEP)<sup>9</sup> and IBRD (Labour and Employment Agency of BiH, 2018).

**Coverage by ALMPs is low but has improved compared to the earlier period.** It can be estimated that around 17.9% of active jobseekers have been covered by ALMP measures in 2018<sup>10</sup>. It is far below the estimated EU average of 46.5% in 2016. Similarly, the coverage rate of the total labour force was 3.3% in the same year, lower than the EU-28 (4.2%) and the OECD economy (3.8%) averages in 2016 and 2017, respectively<sup>11</sup>. However, both coverage of unemployed persons and labour force notably improved compared to 2017, when it was 6.1% and 1.3%, respectively<sup>12</sup>.

**Finally, public expenditure on ALMPs has slightly increased but is still below the EU-28 average.**

Namely, after the period 2012-2015, when the level of public spending on ALMPs fluctuated around 0.15% of the economy's GDP (Numanović, 2016, p. 37), it started increasing since 2016 and reached the level of 0.23% of GDP in 2018 (CPESSEC, 2019). The increase is, to some extent, a result of the implementation of the loan agreement concluded with the International Bank for

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<sup>8</sup> For instance, several cantons in the FBiH organised a selection procedure in 2017 in a way that employers who were the fastest in filling in the online application were granted subsidies – the call was open only for a few minutes (Ahabović, 2017).

<sup>9</sup> See more about YEP at: <https://bit.ly/2FwJNgH>.

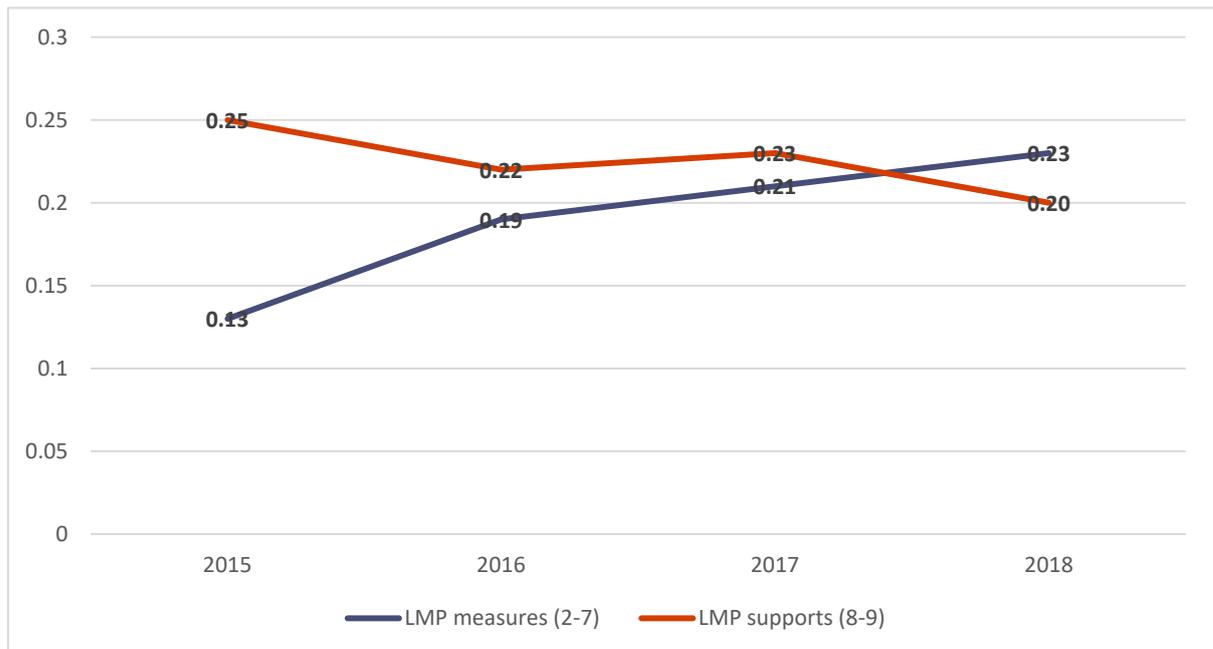
<sup>10</sup> Estimate based on the Labour Force Survey data for 2018 and CPESSEC (2019).

<sup>11</sup> Estimates for the EU that are based on the European Commission (2020) and EUROSTAT data on unemployment and employment are available at: <https://bit.ly/2V7xj8M>. Data for two countries (Italy and United Kingdom) was not fully available and therefore these countries were not included in the calculation. Data for OECD used from OECD (2020).

<sup>12</sup> Estimates based on the Labour Force Survey data for 2017 and the report on implemented ALMPs in 2017 and published by Labour and Employment Agency of Bosnia and Herzegovina (2018).

Reconstruction and Development (hereinafter: IBRD) in 2017<sup>13</sup>. However, ALMP spending is still below the EU-28 average of 0.41% GDP (2012 data) and BiH, in that sense, could be compared with the bottom third of EU Member States (2016 data) (European Commission, 2018). It is worth mentioning that the level of expenditure on active measures exceeded the level of financing passive measures in 2018, for the first time (see Figure 6).

Figure 6. LMP interventions expenditure as a % of GDP



Sources: CPESSEC Statistical bulletins (2015-2019), based on data from the Labour and Employment Agency of BiH, Federal Employment Institute, Employment Institute of RS, and Employment Institute of BD

**There have been no legislative changes in the FBiH that would impact ALMPs and other forms of active support to employment, while RS introduced some changes that led to better efficiency of PES.** The law on Amendments to the Law on Mediation for Employment and Social Security of Unemployed Persons in the FBiH, announced by ERP 2017-2019, has not been adopted so far. On the other hand, health insurance for unemployed persons in RS has been separated from PES, while the unemployed persons will be directly insured by the Health Insurance Fund (see more in Section 13, Chapter 3). This measure will relax the pressure on PES resources, thus creating more space for quality implementation of labour market measures.

**After several years of repeating the same set of interventions, new ALMP programmes have been introduced in the FBiH in 2019.** Thus, an important novelty is the “*Obuka i rad*” (Training and Employment) programme, which combines 3-month on-the-job training and hiring subsidies

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<sup>13</sup> The Council of Ministers of BiH (2017) adopted Proposal of Loan Agreement for the Employment Support Project between BiH and the IBRD in March 2017. The loan amounts to EUR 50 million (EUR 29 million for the FBiH and EUR 21 million for RS) and it is expected to reach 33,000 people, primarily in vulnerable categories, such as long-term unemployed, women and youth (about 8,000 young people).

for a period of 6 or 12 months. Around EUR 1 million has been allocated to the programme, which is around 3-4 times higher than the total spending of FEI-FBiH on training programmes in previous years. Two new programmes were introduced as a part of employment incentives: “*Nova prilika*” (New Opportunity), which targets the most vulnerable groups, such as people without an adequate level of education, older jobseekers and the long-term unemployed, and “*Tražim poslodavca*” (I am Looking for an Employer), which is designed to motivate unemployed persons to start actively seeking for a job. Finally, the measure that supports start-ups now offers three different streams for: youth, women and for the general unemployed population. In all three cases, it was planned for the support for beneficiaries to be increased by 10% if an individual employment plan is created for an applicant, which is a modest but good measure to link active support to career guidance and improve targeting.

## **2.2 Chapter II: Fair working conditions**

### **2.2.1 Secure and adaptable employment**

**The labour regulation reform conducted in 2016 made the market environment and employment relationships more flexible, but changes were predominately cosmetic and failed to ensure a coherent policy framework that would support flexicurity.** Although it can be assumed that the employment protection legislation (hereinafter: EPL) changes have lowered the OECD's EPL Index for BiH, it is still unknown to which extent. Namely, the EPL Index in the sub-categories Permanent Workers and Individual Dismissals was 2.6 in 2015 (OECD, 2019), a year before the new labour laws in BiH's entities were adopted. In BD, the new labour law was adopted in 2019. Recalculated EPL Index value, which would reflect changes in the labour regulations since 2016, is lacking. While fixing burning issues – such as rigidities associated with collective bargaining and collective agreements – the policy changes missed to diversify employment relationships to meet international trends in that regard – thus, for example, temporary work agencies are still not regulated in BiH. Besides, measures that which would encourage better occupational labour mobility were neglected.

**A formal employment relationship can be legally based only on a contract of employment.** Additionally, employers can use a so-called contract on temporary and occasional work for engaging external workers for a period of up to 60 (FBiH) or 90 (RS and BD) days within one calendar year (FBiH Labour Law, art. 166; RS Labour Law, art. 204; BD Labour Law, art. 40). However, this contract cannot be applied for those tasks which could be considered the employer's core business activity, i.e. for which the employer is expected to establish full-time or part-time employment relationship based on an employment contract (Ibid.). Finally, employers can engage external professionals on the basis of service contracts but only for one-off tasks that result in some form of concrete output (product or service).

**Although service contracts cannot be used for establishing an employment relationship, they are widely misused and can be considered as a significant source of undeclared work in BiH.**

Therefore, the current version of the Draft Law on Contributions in the FBiH (art. 30) tries to address the misuse of service contracts by increasing and equalising the aggregate contribution rate applied to these contracts with the rate applied to standard contracts of employment. The assumption is that such a measure would discourage employers to hire workers on the basis of service contracts instead of using a contract of employment (BiH Directorate for Economic Planning, 2017, p. 161). Potentially, such policy change can negatively affect those employers whose business depends on cooperation with many external professionals and can stimulate cash-based transactions (i.e. avoiding any type of contract). However, it is uncertain if the Law is going to be passed. It was planned for the Law to be adopted in October 2019, but the voting session was postponed by the Parliament of the FBiH until further notice.

**Part-time employees are principally entitled to the same level and scope of rights as full-time employees.** It is clearly stipulated in the RS and BD labour laws that the employer is obliged to ensure equal working conditions for a part-time employee as for the full-time employee holding the same or similar job position (RS Labour Law, art. 42; BD Labour Law, art. 34). On the other hand, the FBiH Labour Law is underdefined and less protective toward workers in part-time employment arrangements, stipulating only that part-time workers are entitled to their rights with regard to the number of working hours and collective agreement, rulebook or employment contract (FBiH Labour Law, art. 36). It is also worth mentioning that the RS and BD labour laws are a step ahead, having in mind that they introduced an obligation for employers to take into consideration the employee's request for transition to full-time work and vice versa as well as to inform employees timely about the availability of full-time and part-time jobs (RS Labour Law, art. 42; BD Labour Law, art. 34), thus promoting better mobility between part-time and full-time working arrangements.

**Regulation disincentivises or prevents some forms of part-time working arrangements.** In the FBiH, part-time arrangement for the lowest-paid jobs is disincentivised by the fact that the base for contributions cannot be lower than the minimum salary, as defined by the collective agreement, meaning that the employer, in this case, is obliged to pay the same amount of social security contributions for both part-time and full-time jobs (FBiH Law on Contributions, art. 7). In RS, part-time arrangements below 10 hours a week are not allowed. All three labour laws define part-time employment as an employment of less than 40 hours a week, wherein the RS and BD labour laws additionally stipulate that the employment relationship cannot consist of less than 1/4 of full-time weekly working hours (RS Labour Law, art. 41; BD Labour Law, art. 34).

**However, part-time employment as a share of total employment (15-64 years) in BiH is below the Western Balkans' average.** Namely, part-time arrangements consisted of 8.7% of the total employment relationships in 2019 (Agency for Statistics of Bosnia and Herzegovina, 2019f), slightly below the 2018 regional average of 10.4% (Vidovic et al, 2019) and the EU-28 average of 18.5%, as it was in 2018 (EUROSTAT, 2020b). The share of part-time employment is highest in agriculture where one fifth (28.3%) of workers perform less than 40 hours a week, while in the secondary and the tertiary sectors this share is lower (3.8% and 4.8%, respectively) (Agency for Statistics of Bosnia and Herzegovina, 2019f). It is important to notice that the share of part-time

arrangements in total employment has increased by 1.7 percentage points compared to 2018, thus indicating a possible break in the mainly declining trend recorded in recent years.

**Labour policy in BiH promotes a transition from temporary to open-ended employment relationship by limiting the period for which a fixed-term contract(s) can be successively used with the same employee, but also by prescribing specific conditions for its usage in RS and BD.** The maximum allowed period for concluding successive fixed-term contracts with an employee is 3 years in the FBiH, which is 12 months longer than it was stipulated by the previous labour law prior to 2016. This period is shorter in RS and BD, where the regulation allows successive fixed-term contracts with the same employee for no longer than 24 months. On the other hand, the FBiH Labour Law is more favourable for workers in terms of defining the gap (pause) between two contracts which is considered as a continuity of employment relationship - any gap between two fixed-term contracts of up to 60 days would not interrupt their successiveness, compared to 30 days in RS and 15 days in BD. Finally, while a fixed-term contract in the FBiH can be concluded for any type of work, including permanent ones (general-purpose contract), the labour laws in RS and BD limit its usage to specific cases (specific-purpose contract), as shown in Table 1 overleaf.

Table 1. An overview of key legal provisions on fixed-term employment contracts in the FBiH, RS and BD

| Administrative unit | Period for which one or more successive fixed-term contracts are allowed | Max. gap between two FT contracts which does not interrupt their successiveness | Justification (conditions) for concluding FT contract with an employee   |
|---------------------|--|---|--|
| FBiH                | Up to 3 years  | 60 days   | There are no specific preconditions for concluding a fixed-term contract with an employee (i.e. justification is not needed).  |
| RS                  | Up to 24 months/2 years  | 30 days   | A fixed-term contract can be used only in those cases where the duration of the working engagement is defined in advance and based on justified deadlines or applied to one-off tasks.     |
| BD                  | Up to 2 years  | 15 days   | A fixed-term contract can be used for seasonal jobs, temporary replacement of absent worker(s), temporary increase in the quantity/scope of tasks, managerial jobs and project-based work. |

Source: FBiH Labour Law, art. 22-23; RS Labour Law, art. 39, BD Labour Law, art. 29-30

**However, almost every fifth employee has a fixed-term contract in BiH and the share of temporary employment in total employment (15-64 years) is on the continuous rise, but with a slight decline in 2018.** Thus, the share of temporary (fixed-term) employment has gradually increased from 13.6% in 2010 to 17.5% in 2018 (Vidovic et al, 2019). It declined by 0.9 percentage points compared to 2017 but still remained above the seven-year average of 16%. The share of

temporary employment is below the Western Balkan average of 23.2% (ibid.) but notably above the EU-28 average of 11.3%.

**Although the BiH policy framework provides a similar level and scope of rights for workers employed on fixed-term and part-time employment contracts, and promotes the transition from temporary to permanent employment relationships, it fails to promote entrepreneurship, self-employment and labour mobility.** Thus, relevant policies do not regulate freelancing and similar forms of self-employment properly and systematically, making precarious work even more challenging and putting wellbeing and protection of precarious workers at risk. Labour mobility is limited due to weak social security schemes (e.g. unemployment benefits), high unemployment, as well as weak ALMPs (as explained in Chapter 1 and Chapter 3) and insufficient (re)training options. Finally, a poor business climate discourages entrepreneurship.

**Freelancers face limits in accessing social security schemes, despite the fact that particular contributions have to be paid even if atypical contracts are used.** Namely, freelancers usually base their relationships with clients on service contracts, for which some amount of social security contributions, together with personal income tax, have to be paid. Thus, in the FBiH, the contribution for health insurance amount to 4% and for pension and disability insurance to 6% of a service contract's gross remuneration, deducted for the allowed amount of expenses (FBiH Law on Contributions, art. 10a). In RS, pension and disability insurance contribution, at the rate of 18.5%, has to be paid on service contract honorariums. However, honorarium workers cannot claim any benefits of social insurance, except through solidarity schemes (e.g. minimum old-age pension or health protection for unemployed persons in the FBiH). In that sense, these schemes have a character of social assistance rather than of social insurance. Such a setup brings issues in the FBiH: for the sake of illustration, if a freelancer/honorarium worker earns more than 25% of the FBiH average wage during a one-month period, he or she will be removed from the public employment service register of unemployed persons, i.e. will not be considered unemployed (FBiH Law on Mediation in Employment and Social Security of Unemployed People, art. 3); considering that precondition for obtaining health protection for people who are not in formal employment (i.e. who are uninsured) is to be registered as unemployed (see Jusić & Numanović, 2015), freelancers who earn (or earned only once) more than 25% of the average monthly wage lose access to public health protection, despite the fact that part of the gross honorarium goes to health insurance funds.

**Poor business climate – primarily complex administrative procedures and high costs of doing business – discourages entrepreneurship.** BiH is positioned as 90<sup>th</sup>/190 on the Ease of Doing Business Ranking, significantly below all other Western Balkans economies, which are positioned between 17<sup>th</sup> and 82<sup>nd</sup> place (World Bank, 2020). Some of the major issues in this regard are slow and inefficient procedures for starting a business, obtaining construction permits, registering property and getting electricity, but also complex tax system and high tax burden on labour, especially in the FBiH with a tax wedge on employment of around 42% (see Section 6 of this chapter – “Wages”) and without any substantial improvement in this area during the past decade (ibid., IMF, 2018). Although the Reform Agenda for BiH, adopted in 2015, aimed, at least nominally, to improve the business climate, little was achieved in this domain so far.

**Switching career is not an easy task for the BiH workforce.** Although many young people (around 36%) work outside of their profession (Jusić & Numanović, 2017), this is not the result of intentional retraining and skill development efforts, but rather a consequence of worrisome skill mismatches on the labour market (see Section 1 of the previous chapter). In that sense, making a career shift is challenging due to poor retraining schemes, slow pace of new job creation and lack of career opportunities on the labour market, but also due to insufficient and short-lasting unemployment benefits (see Chapter 3), which would support a person during the process of a career and/or job change.

**Finally, informal employment is a persistent challenge of the BiH labour market.** Although official and comprehensive data is lacking, considering that the BiH LFS does not include relevant questions for assessing the size (and other characteristics) of undeclared work and that there is no other relevant survey conducted regularly by statistics offices, a recent empirical study conducted by Pašović & Efendić (2018) comes up with the estimate that around 26% of workers are employed in the informal labour market and that an additional 8% ensure a proportion of their income through undeclared side-activities. According to the latest LFS data, around 15% of employed people are registered as unemployed at public employment services, indicating that these are employed informally (Agency for Statistics of Bosnia and Herzegovina, 2018c). Based on the existing studies, Oruč & Bartlett (2018, p. 14) claim that men, consisting 2/3 of total undeclared workers, are more likely to be informally employed than women, that “the oldest and youngest workers are most likely to be informally employed” in BiH (i.e. 15-24 and 55-64), and finally that low-skilled people are more likely to be found on the informal labour market, considering that “around 86% of workers with no education and 62% of those with only primary education work informally” in BiH. It is not possible to outline trends in informal employment due to lack of relevant data, but studies conducted by both Pašović & Efendić (2018) and Medina & Schneider (2018) suggest a trend of slight decline in the overall size of the informal (shadow) economy in BiH since 2013. The high incidence of informal employment can be, to some extent, explained by the high tax burdens on labour which discourage formal employment, especially in the case of low-wage earners (see Section 6 of this chapter), the poor business climate (see World Bank, 2019) and some social benefit schemes which act as disincentives for formal employment (Vidovic et al., 2017; Arandarenko, 2019).

## 2.2.2 Wages

**Wage levels in BiH are low but above the Western Balkans average.** The average monthly gross salary was EUR 726.5 (BAM 1,421) in 2019, while the net salary amounted to EUR 471 (BAM 921) (see Table 2). The most recent comprehensive comparison of average gross wages (2017), expressed in purchasing power parities (PPP), among Western Balkan economies and four EU peer Member States (Austria, Bulgaria, Croatia and Hungary) shows that the BiH average wage is slightly higher than in most of WB economies - except Montenegro, which has higher average wage - and Bulgaria (Vidovic et al, 2019, pp. 32-33). However, it is still less than half (48.4%) of the Austrian average gross salary (Vidovic et al, 2019, pp. 32-33). Furthermore, the average wage level

is inflated by higher salaries in the public sector: the average public sector net wage is around 1.4 times higher than that in the private sector. Such inequality between public and private sector wages is highest in BiH, compared to other WB economies (Oruč & Bartlett, 2018).

**The wage growth was insignificant in the period 2010-2017, but some positive developments are in sight since 2018.** After the period 2001-2008, characterised by solid net wage growth at the average annual rate of 6.7%, a period of very moderate and volatile growth has come after the 2008 global economic crisis. Thus, net wages were growing at the average annual nominal rate of 1.2% during the period 2010-2018. Adjusted to inflation, the annual wage increase was almost negligible: 0.35% on average during the observed period (see Table 2). However, notable nominal net salary growth has been recorded in 2018 and 2019 (3.3% and 4.8%, respectively), which suggests a possible beginning of the positive trend in this respect, if inflation remains at a similar level as in 2018.

Table 2. Average wage in BiH (expressed in BAM), 2010-2018

| Indicator                   | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  |
|-----------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross Wage                  | 1,217 | 1,270 | 1,290 | 1,291 | 1,289 | 1,289 | 1,301 | 1,321 | 1,363 | 1,421 |
| Net Wage                    | 798   | 816   | 826   | 827   | 830   | 830   | 838   | 851   | 879   | 921   |
| Nominal net salary growth   | 1.01  | 2.26  | 1.23  | 0.12  | 0.36  | 0.00  | 0.96  | 1.55  | 3.29  | 4.78  |
| Real net salary growth rate | -1.09 | -1.44 | -0.87 | 0.22  | 1.26  | 1.00  | 2.06  | 0.35  | 1.89  | N/A   |
| Inflation growth rate       | 2.1   | 3.7   | 2.1   | -0.1  | -0.9  | -1.0  | -1.1  | 1.2   | 1.4   | N/A   |

Source: Agency for Statistics of Bosnia and Herzegovina, 2020a

**High labour tax burdens negatively affect take-home earnings, while low-wage earners are at a disadvantage due to the low progressivity of labour taxation.** Namely, the tax wedge for a single worker, without children, who receives an average gross salary is 42.2% in the FBiH and 36% in RS (see Table 3). The tax wedge in the FBiH is higher than in any Western Balkan economy, while Serbia and Montenegro are the only economies with a similar or slightly higher tax wedge, respectively, than RS (Vidovic et al, 2019, p. 57). The low progressivity of labour taxation in BiH negatively affects low-wage earners who “do not earn much in terms of net take-home pay but are still relatively costly to firms” (Arandarenko, 2019). There were a few relevant changes in labour taxation policies in RS over the last decade (Vidovic et al, 2019; see the source for a brief overview), reducing the tax wedge by approximately 3 percentage points since 2015 (see Jusić & Numanović, 2015). Furthermore, amendments to the Law on Contributions were adopted in this entity in 2019, introducing the lower contribution rate for unemployment insurance (0.6% instead of 0.8%). This change is in effect since January 2020 (Tax Administration of RS, 2020). On the other

side, the labour taxation system in the FBiH remained unchanged. It was planned by ERP 2017-2019 for the new Law on Contributions and new Law on Personal Income Tax to be adopted in the FBiH to reduce labour burdens (BiH Directorate for Economic Planning, 2017): the new Law on Contributions should lower the aggregate contribution rate from 41.5% to 32.5% (initially, it was planned to reduce the cumulative rate to 33.0%), while the new Law on Personal Income Tax should introduce a progressive tax rate (effectively 0% and 13%), instead of the existing flat tax rate of 10% (see also Section 12 in Chapter 3; for a brief analysis of the effects of the envisaged changes see Numanović, 2019). This change would lead to higher take-home earnings for lower paid workers at the cost of take-home earnings of higher paid workers, without negative aggregate fiscal effects. However, neither of these laws have been passed so far, although it was planned for this reform package to be discussed and voted on in October 2019.

*Table 3. Tax wedge for a single worker, without children, who receives a minimum salary, 67%, 100% and 167% of average gross salary in the FBiH and RS, 2019*

| Administrative unit | Minimum wage | 67% of average wage | 100% of average wage | 167% of average wage |
|---------------------|--------------|---------------------|----------------------|----------------------|
| FBiH                | 39.5%        | 41.2%               | 42.2%                | 42.9%                |
| RS                  | 33.0%        | 34.2%               | 36.0%                | 37.5%                |

*Source: Author's calculations*

**Existing wage levels do not ensure decent life for many and result in a high presence of in-work poverty.** Thus, among those households in which at least one member is employed, 11.6% live in poverty (i.e. 47,955 households) (Agency for Statistics of Bosnia and Herzegovina, 2018a). Furthermore, an average household's monthly expenditure is, according to the latest available Household Budget Survey's data (2015), EUR 396 for a single person, EUR 817 for a three-person household and EUR 935 for a four-member household (Ibid., p. 89). Similarly, trade unions estimated that a four-member family monthly needs EUR 980 (RS) or EUR 1,005 (FBiH) to meet all needs. In other words, the expenditure of a fourth-member family exceeds two average monthly salaries in BiH. Besides, the minimum net wage in the FBiH, as it was set in 2016 by the General Collective Agreement for the territory of FBiH<sup>14</sup>, amounted to EUR 202, while the minimum wage is higher in RS and amounts to EUR 230. However, the minimum wage cannot ensure for a single worker to meet all needs and usually the minimum-wage earners live in poverty or on the verge of poverty. Therefore, it is no surprise that recent estimates made by Obradović, Jusić, & Oruč (2019) show that the in-work poverty rate in BiH amounts to 24.5%. In-work poverty is more

<sup>14</sup> The minimum wage in the FBiH has not been set since the first quarter of 2018, considering that the old general collective agreement was abandoned, while the new one still has not been adopted (see Section 8). The FBiH Government amended the FBiH Labour Law in 2018 in order to address, among others, this issue and be able to set the minimum wage without the general collective agreement, but nothing has been done so far.

prevalent among self-employed workers (36% compared 21.5% among those who work for an employer), among part-time workers (39.9% vs. 19.4% among full-time employees), and among those on temporary contracts (27.8% vs. 19.5% among those who have a permanent employment/contract).

**The minimum wage is bargained through tripartite social dialogue but finally determined by the governments in the FBiH and RS.** In that sense, the minimum wage is set by the general collective agreement BD (BD Labour Law, art. 93), while in the FBiH and RS is determined by the entities' governments, after consultation with the FBiH Economic and Social Council in the FBiH (FBiH Labour Law, art. 78) or on the basis of a proposal articulated by the RS Economic and Social Council in RS (RS Labour Law, art. 127). In case that social partners in RS did not articulate the proposal, the Government of RS determines the minimum wage, taking into consideration productivity growth, living standard and wage growth trends (Ibid.). The FBiH Labour Law initially stipulated for the Government of the FBiH to adjust the minimum wage in accordance with the CPI trends at least once a year (*Vaša prava BiH*, 2016), but such provision was amended in 2018; with these changes, it is envisaged that the FBiH Government adopts a policy which defines the methodology for adjusting minimum wage, and such policy has to be adopted on the basis of a proposal made by the Federal Ministry of Finance and the Federal Institute for Development Programming, as discussed with the Economic and Social Council (FBiH Labour Law, art. 78). However, the document (methodology) has not been adopted yet; however, the Economic and Social Council of this entity started a discussion on the methodology in 2019 and continued it in 2020.

### **2.2.3 Information about employment conditions and protection in case of dismissals**

**Core information on working conditions should be contained in an employment contract.** In that sense, the employer is obliged to include information on working conditions and relationship in the employment contract, providing at least basic data on the contracting parties, duration of the contract, starting date, place of work, job position (accompanied with a short job description in the FBiH and BD), working time, remuneration, annual leave and notice period in the case of dismissal (see Table 4). Other conditions and procedural aspects are usually defined and described in more detail by the employer's internal policies and rulebooks.

**Employers have to sign an employment contract with each new employee either the day before (FBiH and RS) or during the first day of the employment (BD), meaning that the employee is familiarized with working conditions at the start of the employment relationship.** Thus, the employer is obliged to provide the worker with the signed employment contract before the employment relationship has started (i.e. before the first working day) in RS (RS Labour Law, art. 35) and at the latest during the first day of employment in BD (BD Labour Law, art. 26). The FBiH Labour Law does not prescribe such an obligation. However, the amendments to the FBiH Law on the unique system of registration, control and collection of contributions, adopted in 2016, introduced an obligation for employers to register new employees at least one day before starting

the employment relationship (art. 14). Having in mind that the signed contract is a precondition for such registration (FBiH Labour Law, art. 4), it could be said that, effectively, the worker is familiarized with elementary working conditions prior to entering the employment relationship. These rules are equally applied on open-ended (permanent) and fixed-term employment contracts, including those which are concluded for a probation period.

Table 4. An overview of core (minimum) data that employment contracts have to contain in the FBiH, RS and BD, according to the respective labour laws

| FBiH   | RS   | BD BiH   |
|--|--|--|
| - employer's name and address  | - employer's name and address  | - employer's name and address  |
| - employee's name and address  | - employee's name, address and qualifications (education degree)   | - employee's name and address  |
| - duration of the contract   | - duration of the contract, including reasons for concluding a temporary employment relationship in the case of fixed-term contracts | - duration of the contract   |
| - date of the first working day (starting date of the employment relationship)   | - date of the first working day (starting date of the employment relationship)   | - date of the first working day (starting date of the employment relationship)   |
| - place of work  | - place of work  | - place of work  |
| - job position and a short job description   | - date of the first working day (starting date of the employment relationship)   | - job position and a short job description   |
| - working hours, including information on how they will be distributed   | - job position   | - working hours, including information on how they will be distributed   |
| - remuneration/salary, including information on potential extra payments (e.g. bonus) and/or other benefits, as well as on payment dates | - working hours, including information on how they will be distributed   | - remuneration/salary, including information on potential extra payments (e.g. bonus) and/or other benefits, as well as on payment dates |
| - duration of annual leave   | - remuneration/salary, including information on potential extra payments (e.g. bonus) and/or other benefits                          | - annual leave   |
| - notice period in the case of dismissal   | - duration of annual leave   | - notice period in the case of dismissal or resignation  |
| - other relevant information on working conditions, which are stipulated by the collective agreement.                                    | - notice period in the case of dismissal   | - other relevant information stipulated by the collective agreement or employer's rulebook   |
| (FBiH Labour Law, art. 24)   | - tasks which imply specific working conditions, if any.<br><br>(RS Labour Law, art. 35)   | (BD BiH Labour Law, art. 24)   |

**Workers have the right to be informed about the reasons for dismissal at the beginning of the notice period.** Notice of dismissal has to be in written form, containing an explanation/reasons why the contract is to be terminated (FBiH Labour Law, art. 104; RS Labour Law, art. 180, BD Labour Law, art. 115). Notice period in case of dismissal cannot be shorter than 14 days in the FBiH, 15 days in BD and 30 days in RS (FBiH Labour Law, art. 105; BD Labour Law, art. 118; RS Labour Law, art. 192).

**The employer is not obligated to respect the minimum notice period in case of serious violation of the employment contract.** Namely, the mentioned dismissal notice periods are applied in cases

of dismissal on the basis of economic, technical or organisational reasons, or because of the employee's inability to perform his/her tasks. However, if a worker has committed a serious breach of the contract or relevant laws (e.g. if the worker rejects to perform contractual duties, acts violently, intentionally damages equipment, etc.), the employer has the right to dismiss him/her without respecting the minimum notice period (FBiH Labour Law, art. 97; RS Labour Law, art. 192; BD Labour Law, art. 113), but has to allow the worker to provide feedback (FBiH and BD) within a period of 8 days before dismissal (RS).

**The employee has a right to compensation in case of unjustified dismissal.** In the case of unjustified dismissal in the FBiH and BD, the competent court can prescribe various legal measures for compensating the worker, including his/her reinstatement and covering all salaries for the period during which the employee was outside the job, severance pay (if the worker does not want to continue the employment relationship) and other forms of financial compensation, including a combination of measures (FBiH Labour Law, art. 106, BD Labour Law, art. 122). The scope of legal measures is narrower in RS and includes the reinstatement and retroactive coverage of lost salaries or compensation to the amount of up to 12 monthly salaries if the worker does not want to continue the employment relationship (RS Labour Law, art. 189, 195). Similarly, if a worker does not want to continue the employment relationship, the court can prescribe compensation in the amount of up to 18 salaries and regular severance pay. All three laws envisage the possibility for the worker to stay at the workplace during the legal dispute if so demanded by the worker and accepted by the court.

## **2.2.4 Social dialogue and involvement of workers**

**BiH has a weak tradition of collective bargaining and underdeveloped tripartite social dialogue<sup>15</sup>; hence, it is no surprise that recent economic reforms in BiH were followed by a crisis in social dialogue, especially in the FBiH.** Namely, the FBiH Economic and Social Council have not held a single tripartite meeting since November 2017 (FBiH Employers' Association, 2019), until December 2019 (i.e. for a period longer than 2 years), due to a dispute that occurred between representatives of trade unions – the Confederation of Independent Trade Unions of BiH - and the FBiH Government (see more in Aščerić, 2018). Furthermore, the FBiH Employers' Association unilaterally terminated the FBiH General Collective Agreement in March 2018 (Decision on Termination of the General Collective Agreement for the territory of the FBiH, art. 1), whilst the new agreement has not been adopted or negotiated yet, creating uncertainty over rights that used to be defined by the agreement – including the minimum hourly wage.

**While cooperation between the social partners in the FBiH is currently at a low level, trade unions and employers' association in RS are being more involved in socioeconomic policymaking through a partnership with the government.** Namely, the RS government separately signed the memorandums on joint policies for the period 2018-2020 with both the

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<sup>15</sup> See, for example, Jusić & Numanović, 2015, pp. 66-71.

Confederation of Trade Unions of RS and the Union of Employers' Associations of RS (Stanković, 2017; see also: Government of the Republika Srpska, 2017). Memorandums are focused on the development and adoption of the sets of policies in the areas of economic recovery, fiscal consolidation and public sector reform, including a number of labour market and welfare policy measures (see Government of the Republika Srpska, 2017). In that sense, the memorandums follow the policy path and plans established by the entity's Economic Reform Programmes and, more generally, Reform Agenda. However, the general collective agreement is still not adopted in RS, after several failed attempts of trade unions and employers' representatives to reach an agreement.

**The role of economic and social councils in BiH is usually concentrated around collective bargaining and consultations on policies concerning workers and employers, while the involvement of social partners in the implementation of policies is limited and their internal capacities are weak.** In other words, besides collective bargaining, the role of the economic and social council is to monitor socioeconomic trends, analyse the effects of relevant policies on socioeconomic outcomes and the position of the social partners, review draft laws and propose policies, among others (see Stanković, 2017; RS Law on Economic and Social Council; FBiH Agreement on Economic and Social Council). However, the analytical and policy research capacities of both employers' associations and trade unions are especially weak, "which prevents their ability to propose evidence-based policies" (*Analitika* – Center for Social Research, 2018, p. 9). Despite this, there are no public schemes to support social partners in building their capacities. The majority of capacity building activities in recent years were supported or organized by international donors and/or international/multilateral development institutions.

**Employers are obliged to inform employees if the ownership structure is going to change and undertake the necessary measures to amortize negative consequences in RS and BD, while the labour law in the FBiH is more rudimentary in this regard.** In the case of transfer of ownership from one employer to another, the representative trade union is entitled to be informed at least 15 days in advance about the date of transfer (i.e. change of employer), reasons for the transfer/change, and legal, economic and social consequences of the change, as well as about counter-measures created to address/amortize any expected negative consequences (RS Labour Law, art. 158, BD Labour Law, art. 107). If there is no representative trade union within the company, workers have the right to be directly informed. Furthermore, both current and future employers are obliged to undertake the necessary measures, that could amortize negative socioeconomic effects on workers, in cooperation with the trade union, no later than 15 days before the transfer (RS Labour Law, art. 158, BD Labour Law, art. 107). Finally, the employer is obliged to inform workers in writing about the transfer of their contracts to a new employer in both entities and in BD (FBiH Labour Law, art. 117; RS Labour Law, art. 156; BD Labour Law, art. 108).

**Employers are also obliged to inform and consult workers' representatives in case of collective dismissals/redundancies.** An employer with more than 30 workers in the FBiH planning to dismiss 5 or more workers in the next 3 months due to economic, technical or organizational reasons, is obliged to consult the council of employees and trade union (FBiH Labour Law, art. 109). A similar

provision exists in RS, but with differing criteria: it is applied in cases where (a) an employer has 30-100 workers employed on open-ended contracts and is planning to dismiss 10 or more workers, (b) an employer has more than 100 workers employed on open-ended contracts and intends to dismiss at least 10% of workers or (c) has more than 300 and is planning to dismiss 30 or more workers, and if (d) an employer of any size is going to dismiss 30 or more workers in the next 90 days (RS Labour Law, art. 160). Along with the council of employees or trade union, the employer in RS is obliged to inform the employment agency about the planned dismissals. Finally, this provision is applied in BD to employers that employ more than 15 workers and are planning to dismiss 20% of workers due to economic, technical or organizational reasons (BD Labour Law, art. 126). The process of consultation has to start at least 30 days before informing the workers about dismissal in the FBiH and BD and has to be based on a written statement submitted to the council of employees and trade union (FBiH Labour Law, art. 110; BD Labour Law, art. 84). In RS, the programme has to be delivered eight days upon its creation to the council of employees or trade union, which are obliged to respond within 15 days (RS Labour Law, art. 163-164). The statement should contain information on the reasons for dismissal, data on the number and categories of workers to be dismissed, measures which the employer considers as possibly effective ones to prevent dismissal of workers, measures which would help redundant workers find another job, including retraining (FBiH Labour Law, art. 110; BD Labour Law, art. 127) as well as a proposal of welfare measures in RS (RS Labour Law, art. 161).

## **2.2.5 Work-life balance**

**The minimum paid annual leave for adult workers in BiH is 20 working days, as in the EU-28 Member States with the shortest annual leave.** Namely, the labour laws in both entities and BD grant a minimum annual leave of 20 working days (FBiH Labour Law, art. 47; RS Labour Law, art. 80; BD Labour Law, art. 61). It is important to mention that the length of the annual leave in BD has been increased from 18 to 20 working days in 2019, with the adoption of the new labour law in this entity. In that sense, this right is now harmonised in all three administrative units of BiH. Regulations in the FBiH and BD provide 24 working days as minimum annual leave for minors. (FBiH Labour Law, art. 47; BD Labour Law, art. 61). Furthermore, the labour laws in RS and BD provide a minimum annual leave of 30 days if an employee performs tasks or is exposed to work-related factors that negatively affect health or bring health-related risks (RS Labour Law, art. 80; BD Labour Law, art. 61). If a worker is employed for the first time or has had more than 15 (FBiH and BD) or 30 days (RS) of break between two jobs, he/she is entitled to annual leave after six months of work (FBiH Labour Law, art. 48; RS Labour Law, art. 79; BD Labour Law, art. 62). The new Labour Law in BD introduced an improvement in this area as well, considering that allowed break between two jobs is increased from 8 days, as it was defined earlier, to 15 days. In the meantime, workers are entitled to 1 day of paid annual leave per month (FBiH Labour Law, art. 48; RS Labour Law, art. 81; BD Labour Law, art. 62). Workers have to be paid at the same rate of pay for days of annual leave as for working days. However, in practice, employers sometimes prevent workers to use the full duration of their annual leave and many such cases go unnoticed.

**Along with annual leave, workers are granted several days of paid leave in cases of family-related events as well as blood donation in RS and BD.** In the FBiH, a worker is entitled to 7 days of paid leave in the cases of (a) marriage, (b) childbirth (for male workers) or (c) severe illness or death of a close family member (FBiH Labour Law, art. 53). Similar provisions exist in RS and BD, but paid leave is limited to a maximum of 5 days (i.e. up to five days), except in the case of death of a close family member in RS, when the paid leave could be longer; additionally, the RS and BD labour laws include voluntary blood donation as a case for paid leave (RS Labour Law, art. 89; BD Labour Law, art. 68). In BD, the paid leave is extended from 3 to 5 days by the new law adopted in 2019 and thus aligned with the length of paid leave in RS.

**Labour regulation guarantees equal access to maternity leave to fathers (male workers), if agreed between parents, but does not define it as a non-transferable right.** Maternity leave lasts 12 months and starts 28 days before the expected date of delivery (FBiH Labour Law, art. 62; RS Labour Law, art. 107; BD Labour Law, art. 79). In RS and BD, maternity leave is extended to 18 months in case of twins, and for the third and every next child born. Women can decide to use fewer days of maternity leave, but not less than 42 (FBiH and BD) or 60 (RS) days after giving birth (FBiH Labour Law, art. 62; RS Labour Law, art. 108; BD Labour Law, art. 79). The leave can be also used by the father instead of the mother, if mutually agreed, for the rest of the period after the initial 42 (FBiH and BD) or 60 days (RS) (FBiH Labour Law, art. 62; RS Labour Law, art. 107; BD Labour Law, art. 79). Previously, such provision did not exist in BD, except in case of the mother's death, if the mother has left a child or is not able to use maternity leave, but this area has been improved with the adoption of the new law in 2019. However, fathers' parental leave "is not regulated as a non-transferable right, but as a matter of consensual agreement of parents" (The Initiative for Monitoring the European Integration of BiH, 2018, p. 31). This usually means that parental leave is borne by women (often taking a career break and affecting their labour market prospects). Finally, maternity benefits are uneven throughout BiH (depending on the administrative unit) and little progress in this domain has been achieved in the previous period; RS is an exception, where benefits in the amount of BAM 405 (close to the level of the minimum wage) for unemployed mothers were introduced in 2017 and started implementation in March 2018 (Ibid.; The Initiative for Monitoring the European Integration of BiH, 2019). This benefit lasts 12 months or 18 months in case of twins, and for the third and every next child born (Ibid.).

**Parents are entitled to part-time working arrangement during the early childhood of their children.** Thus, in the FBiH the mother (or father, if the mother works full-time) has a right to part-time work during the first year of a child's life, during the first two years in the cases of twins, third and every next child or during the first three years if a medical institution determines that a child needs special attention and care (FBiH Labour Law, art. 63-64). In the FBiH, this right is rarely used because of salary loss, which is not the case in RS and BD, as the salary loss is compensated from the RS Child Fund or the BD public budget. This right in RS and BD is granted only to parents with a child who needs special attention and care, during the first three years of the child's life (RS Labour Law, art. 110; BD Labour Law, art. 81).

**However, there are indications that, in practice, workers often do not exploit these rights fully due to employer intimidation, pressure or self-perceived risks, and that women often**

**experience negative consequences from enjoying this right** (Hadžimusić, 2017). Furthermore, besides maternity leave, there are no other policy measures which would improve the work-life balance in this domain (The Initiative for Monitoring the European Integration of BiH, 2018 and 2019), while maternity benefits and other rights vary from one administrative unit to another, creating territory-based inequalities among beneficiaries in BiH (for the recent overview, please see: Agić, 2019).

**Workers are granted the right to part-time and suitable work if providing care to a child with a severe disability, but similar provisions do not exist for those who provide care for elderly or other disabled family members.** Namely, single parents or one of the parents (if both are employed) are entitled to part-time arrangements (half of full-time working hours) if bringing up a child with a severe disability if the child is not accommodated by a relevant institution. Furthermore, employers cannot demand overtime engagement from such parents, cannot allocate them to perform night shifts or change place of work without the prior written agreement of the worker (FBiH Labour Law, art. 69; RS Labour Law, art. 111; BD Labour Law, art. 83). However, flexible hours are not envisaged for workers who provide care to other disabled or elderly family members.

**The lack of accessible and affordable childcare services and weak long-term care policies are posing a challenge for balancing private and professional lives, resulting in dropouts from the labour market and long career breaks - this challenge especially affects women.** Namely, several studies recognize inadequate access to childcare services as one of the reasons for women's low participation in the labour market, especially in rural areas (see, for example, MEASURE-BiH, 2016 and Vidovic et al, 2019). Furthermore, preschool education institutions are lacking the capacity to absorb all children. Thus, for example, 3,084 children were not enrolled in preschool education in 2018/2019 due to the undercapacity of preschool institutions (see Section 11 in Chapter 3), despite the fact that the number of preschool institutions in 2018/2019 has increased by 11.8% compared to 2017/2018 (359 vs. 321 institutions). Similarly, the institutional and policy framework for long-term care is weak (see Section 18, Chapter 3) and "caring for persons in need of long-term care is mostly borne by informal carers" (Malkić & Numanović, 2016). In such an environment, close family members (predominately women) are usually preoccupied with providing care and cannot enter full-time employment; having in mind a lack of formal part-time engagement, carers often leave the labour market or work informally (see also Malkić & Hadžiristić, 2016).

**The last major changes in labour regulations have relaxed the rigidity of some provisions and introduced or defined better institutions necessary to respond to the changing nature of labour markets and industries, but it is not possible to assess to which extent they have influenced employment relationships.** Thus, remote work (telework) was introduced as a legal working option with the last changes in the entities' and BD's labour regulation, i.e. the adoption of new labour laws or amendments, in 2015 and 2016 (FBiH Labour Law, art. 26; RS Labour Law, art. 44; BD Labour Law, art. 35). Earlier, an employer could have been fined if employees worked from premises other than the employer's ones. However, there is no link between specific provisions related to providing care, protecting occupational safety and health, etc. and telework – this

working option is more of a general-purpose one. When it comes to flexibility of working hour arrangements, all three laws allow part-time employment, but mobility between part-time and full-time work arrangements is promoted only by the RS and BD labour regulation (see Section 5). However, due to the lack of comprehensive research and data, it remains unknown to what extent these options are used by employers.

## **2.2.6 Healthy, safe and well-adapted work environment and data protection**

**BiH underperforms in ensuring an adequate level of safety at work.** The annual fatal accident incidence rate was varying from 2.1 to 3.2 during the period 2015-2018 (the highest was in 2018) (Author's estimates)<sup>16</sup>, noticeably above the EU-28 average of 1.7 (EUROSTAT, 2018b)<sup>17</sup>. Furthermore, when observed on an annual basis, 28-34 per 100,000 workers have experienced serious occupational injuries in the period 2016-2018 (Author's calculations); however, this number could be underreported due to the weak and inefficient mechanisms of data collection, but also because employers sometimes do not report injuries. The statistics on injuries are unreliable and incomplete, and systematized and recent data on occupational diseases do not exist.

**Many challenges related to protecting and promoting occupational safety and health (hereinafter: OSH) arise from a weak OSH policy framework, especially in the FBiH.** Thus, in the FBiH, the majority of issues arise from the outdated legal framework, which limits and undermines the work of OSH inspectorates. Namely, the Law on Safety at Work that is in effect in the FBiH was adopted in 1990, when BiH was still part of the Socialist Federal Republic (SFR) of Yugoslavia and has not been updated since. The law, therefore, does not follow the recent changes in labour law or as the ILO's conventions ratified by BiH and does not correspond adequately to the technological and market changes that occurred in the last three decades. Furthermore, fines envisaged for violating the law are expressed in Yugoslav dinars, a currency which no longer exists, and the conversion of the prescribed amounts in BiH convertible marks (BAM) would lead to extremely low fines – up to 5 Euros (Cantonal Administration for Inspection Affairs of Zenica-Doboj Canton, 2018, p. 13; Cantonal Administration for Inspection Affairs of Sarajevo Canton, 2018, p. 74). Therefore, inspectors usually issue so-called 'administrative measures', which prescribe actions and instructions for improvements that the employer should undertake to ensure proper workplace safety, and penalize employers on the basis of non-implementation in cases when the envisaged changes are not adopted (Cantonal Administration

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<sup>16</sup> Author's estimates based on the official statistics. The most recent available data is from 2018. Data for the FBiH based on: FBiH Administration for Inspection Affairs, 2017; FBiH Administration for Inspection Affairs, 2018; Institute for Statistics of FBiH, 2018e; Institute for Statistics of FBiH, 2018b. Data for RS based on: Republika Srpska Administration for Inspection Affairs, 2017; Republika Srpska Administration for Inspection Affairs, 2018; Republika Srpska Institute of Statistics, 2018e; Republika Srpska Institute of Statistics, 2018b.

<sup>17</sup> Considering that it was not possible to calculate the standardised incidence rate for BiH due to the poor data, the BiH fatal incidence rate is compared with the non-standardised EU-28 incidence rates to ensure better comparability.

for Inspection Affairs of Tuzla Canton, 2018, p. 50). Considering that shortcomings of the existing regulation are recognized as one of the key causes of the poor state of OSH and a crucial factor that is undermining the effectiveness of OSH inspections, the adoption of the new FBiH Law on Safety at Work was envisaged by the economy's Economic Reform Programme 2017-2019. However, although the Bill has been discussed and adopted by the House of Representatives in September 2019, it has not been reviewed and adopted by the House of Peoples so far. Unlike the delays in the FBiH, the new laws on safety at work were already adopted in RS in 2008 and in BD in 2013, providing a solid and modernised OSH policy framework together with labour legislation, and the main challenges are associated with their enforcement.

**The policy framework for promoting safe, healthy and active ageing at work, i.e. adaptation of working conditions to better correspond to older workers' needs, is underdeveloped, despite the evidence that older workers are a vulnerable category on the labour market.** Namely, Šormaz, Paleksić, & Popović (2015) found that the majority of occupational injuries were recorded among male workers aged 51-60, while among workers older than 60 experienced injuries double the average. The usual reasons are the working conditions that are not adjusted to workers from this age cohort (ibid.). Furthermore, the activity rate for the age cohort 50-64, within which most of the injuries occurred, was 46.7% in 2018 (Agency for Statistics of Bosnia and Herzegovina, 2018c). In other words, more than half of the people aged between 50 and 64 do not participate in the labour market, and occupational accidents, which are prevalent among older workers, probably exacerbate low labour market participation. Despite this, safe and healthy ageing is not in the focus of relevant labour regulations. The RS Law on Safety at Work defines the principle of adapting the working environment for older workers to be better protected and to support healthy ageing (art. 1) but without defining concrete measures. OSH laws in the FBiH and BD do not envisage such principles at all. The Labour laws in the two entities and BD also do not specifically support active ageing with additional measures (e.g. reduction in working hours, additional days of paid leave, etc.), but the RS Labour Law (art. 80) envisages an increasing length of annual leave on the basis of the work experience of an employee, what should be further defined by the collective agreement(s), rulebook or the employment contract. Finally, this issue is neglected in the public discourse and recent policy improvements have not happened.

**Employees' personal data is well-protected by the existing legislative framework.** Employers are not allowed to gather data non-related to work or to share employee data with third parties, except in the specific cases prescribed by law or necessary for exercising rights or performing duties related to labour regulations (FBiH Labour Law, art. 30; RS Labour Law, art. 102; BD Labour Law, art. 22). In addition to this, RS Labour Law prescribes the right for employees to have access to all documents that contain their personal data and to be able to request a change of inaccurate or outdated data (RS Labour Law, art. 102). Furthermore, during the recruitment process, employers are allowed to ask applicants only for information/data directly related to the job position (FBiH Labour Law, art. 29; RS Labour Law, art. 28; BD Labour Law, art. 21). In that sense, it is especially forbidden for employers in the FBiH and RS to ask for information that could lead to discrimination of an applicant (e.g. on gender, sexual orientation, marital status, family duties, age, disabilities, pregnancy, language, religion, political opinions, nationality, social and economic

status, race, party membership, membership in trade unions, health status, etc.) (FBiH Labour Law, art. 29 & 8; RS Labour Law, art. 28). In addition to entities' and BD's labour laws, employee data and right of privacy are protected by the Law on Protection of Personal Data at the level of the central government.

## 2.3 Chapter III: Social protection and inclusion

### 2.3.1 Childcare and support to children

**Although improving, preschool education coverage is still meagre.** The share of children under three years of age cared for by formal arrangements stood at 6.3 in 2018, tremendously below the EU average of 35.1 for the same year (see Table 5 and Annex 1). As it could be seen from Table 5, the number of children in preschool facilities has increased, but when it comes to observing coverage rates it could be said that the presented improvements are somewhat misleading. Namely, due to lower birth rates, the number of children has been decreasing, which has additionally improved (inflated) the coverage rates.

Table 5. Children enrolled in preschool education and preschool coverage rates from 2015 to 2018

| Children enrolled at preschool education | Year 2015/2016      |      | Year 2016/2017      |      | Year 2017/2018      |      | Year 2018/2019      |                    |
|--|---------------------|------|---------------------|------|---------------------|------|---------------------|--------------------|
|  | In Coverage numbers | rate <sup>18</sup> |
| Total                                    | 22,901              | 9.9  | 24,91               | 11.1 | 25,889              | 11.8 | 28,511              | 13.0               |
| Children age 0 – 2                       | 3,751               | 4.2  | 4,229               | 4.7  | 4,668               | 5.2  | 5,663               | 6.3                |
| Children age 3 - 6                       | 19,150              | 13.6 | 20,689              | 15.4 | 21,221              | 16.4 | 22,848              | 17.6               |

Source: Agency for Statistics of Bosnia and Herzegovina, 2019i (data on coverage rates for the period 2015-2017 received upon request)

Furthermore, the increase in the coverage of children age 3–6 is partly due to an increase in the number of children between four and five years old attending obligatory preparatory education for a minimum of 150 hours (in some cantons this entails 300 hours) during one school year. These classes are organised for half – or in some cases for the whole – school year and delivered only several hours per week; in RS, they are organised during a three-month period, 3 hours per day, amounting to some 190 hours.

**The BiH Council of Ministers adopted the Platform for the Development of Preschool Upbringing and Education in BiH for the period 2017-2022, which sets the ambitious aim of increasing the coverage of children by preschool education.** Namely, the document defines five key packages within the Platform: increase of coverage by preschool education, quality assurance

<sup>18</sup> These estimates rely on the assumption that the overall number of children has not been changed since 2017.

of preschool upbringing and education, funding, inclusion and sensitisation of society. One key goal of the Platform is to increase the coverage of children aged 3-5 to 50% and children up to 3 years old to 20% (BiH Directorate for Economic Planning, 2019). However, little has been achieved in reaching this goal, as evident from the insights provided in this chapter. Furthermore, the provision of preschool education services under both entity laws on preschool education and care is devolved to local communities, i.e. higher levels of government have no implementing competencies in this area. Finally, the adopted Platform has no financial backing, and therefore, no significant impact should be expected.

**For most families, the main limiting factor is the unavailability of the service in the vicinity. However, where available, the main obstacles are the cost and a limited number of places, especially in large centres.** Around 9.8% of children (3,084) remained outside of the preschool education in 2018 and around 9.7% (2,777) in 2017 due to the lack of capacities of both public and private preschool education institutions to absorb them (Agency for Statistics of Bosnia and Herzegovina, 2019i). It indicates that the non-negligible portion of children has not been involved in preschool education due to institutional constraints. Preschool education facilities, like kindergartens or kindergarten classrooms in local primary schools, are usually situated in urban and populated areas. The central government Platform notes that only 0.5% of the total number of children attending preschool education in BiH come from rural areas.

**Provision of preschool education and care is financed primarily by local governments, which are the founders of public kindergartens and therefore responsible for their financing.** Financing from higher levels of governments and sometimes from donor organisations is received only for implementing specific programmes (such as the preparatory programme for elementary school; early detection and early intervention programmes). Besides the local government, parents bear the major brunt of preschool education financing, defined by local government decisions. Although the total costs of preschool education financing and the size of parents' share vary between local communities, the costs are usually higher in larger cities compared to small and less populated municipalities. Table 6 presents the public preschool education fees borne by parents in several BiH cities and its respective share in the entity's average and minimum salary. It can be observed that the fees of full-time kindergarten represent around 1/5 of the average salary and a much higher share of the minimum salary, especially in the FBiH.

*Table 6. Public preschool education fees and its share in average net and minimum salary in the respective administrative unit in 2019 (examples)*

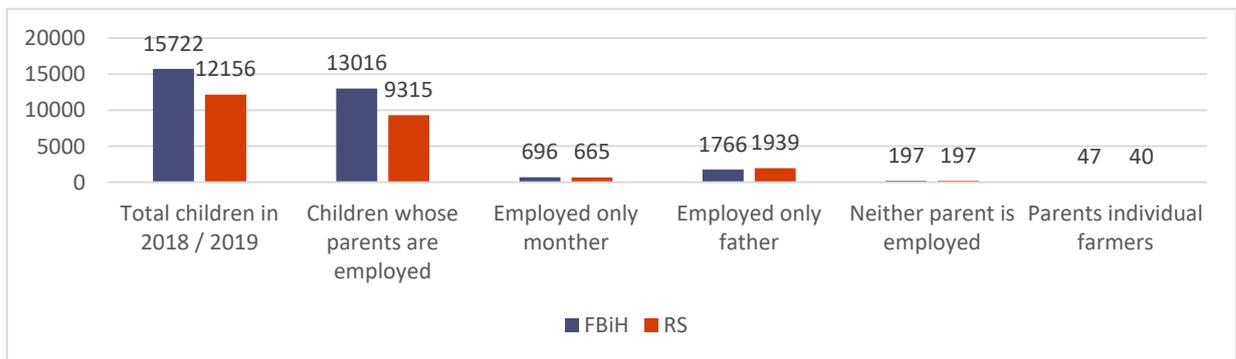
|                         | <b>Public preschool (full-time) fees per month</b> | <b>As % of average net salary in entity/district</b> | <b>As % of entity net minimum salary</b> |
|-------------------------|--|--|--|
| City of Banja Luka (RS) | EUR 84   | 18   | 36                                       |
| City of Bijeljina (RS)  | EUR 95   | 21   | 41                                       |
| City of Mostar (FBiH)   | EUR 87 EUR (EUR 102 for crèche)                    | 18 (22)  | 43 (50)                                  |

|                      |                            |           |         |
|----------------------|----------------------------|-----------|---------|
| Sarajevo (FBiH)      | EUR 82                     | 17        | 40      |
| City of Tuzla (FBiH) | EUR 82                     | 17        | 40      |
| Brčko District       | EUR 77 (EUR 92 for crèche) | 17 (20.5) | 33 (40) |

Source: Data on salaries from bulletins of the FBiH, RS and BiH statistical institutes.

**It is not surprising that children whose parents are employed make the majority of children in preschool education in both entities.** As presented in Figure 7, those children account for 83% of all children in preschool education in the FBiH and 77% in RS.

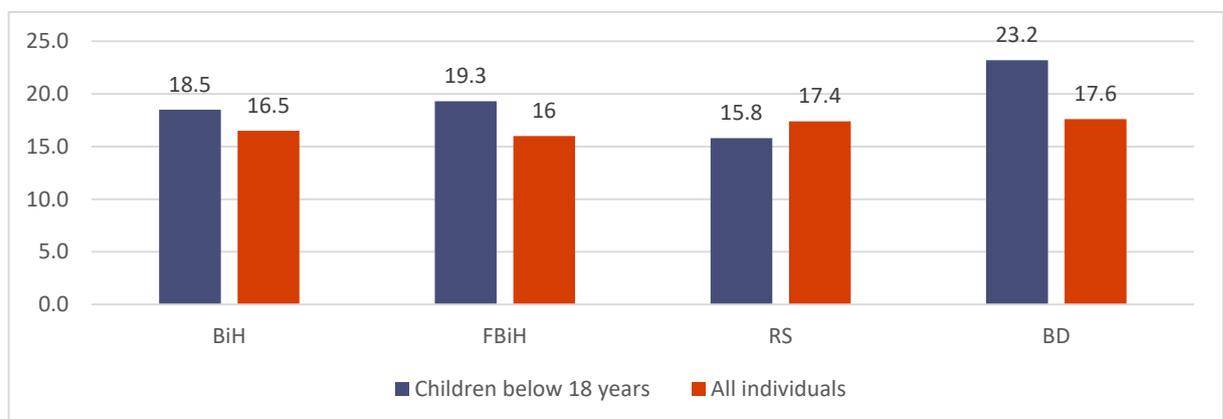
Figure 7. Children in preschool education according to parents' employment status<sup>19</sup>



Source: Entities' institutes for statistics

**Child and family benefits in RS are more effective in ameliorating child poverty than child and family benefits in the FBiH.** As presented in Figure 8, children face a higher risk of poverty than all individuals, except in RS. These estimates are based on the 2015 Household Budget Survey (HBS) consumption data that, in comparison to estimates based on income data, underestimate poverty (Obradović, Jusić and Oruč, 2019a).

Figure 8: Child poverty rates vs. individual poverty rates (2015 HBS)



<sup>19</sup> Data for BD is not included.

*Source: Agency for Statistics of Bosnia and Herzegovina (estimates based on 2015 HBS consumption data). Note: As the Agency for Statistics of BiH (2018a) HBS report does not include poverty estimates for children the data presented was received upon request.*

Research on child poverty based on previous HBS rounds shows that children consistently have higher poverty rates than the general population, while children living in a household where the youngest child is of preschool age are more likely to be in poverty than other age groups measured against absolute poverty lines (Bruckauf, 2014). Furthermore, the EC Analytical Report (2019, p. 139) points out that almost one in every three (31.6%) children aged between 5 to 15 are at risk of poverty.

**According to the ESSPROS 2015 data, the share of public expenditure on child protection in total social protection benefits expenditure was only 2.5%. However, access to benefits and their level differ between the entities and cantons.** A higher share of this spending (57.1%) was non-means tested. Children and family benefits are differently organised in the FBiH and RS. In RS, child and family benefits are integrated within the system of social insurance, with stable financing from payroll contributions and supplemented, in a small part, by the entity budget. The benefits include salary compensation during maternity leave for employed mothers, maternity assistance for the unemployed mothers, child assistance benefits and pro-natality benefits for every third and fourth child in the family, assistance for new-born child equipment and salary compensation for parents working part-time because of care for a child up to the age of 3 years. Although the FBiH general legislation on social protection<sup>20</sup> stipulates the same type of child and family benefits to be provided by cantons, the availability of benefits, eligibility criteria and level of benefits differ significantly between cantons. However, the common feature of child and family benefits in the FBiH is that they are meagre, while the coverage of children in all cantons is low<sup>21</sup> because of means-tested eligibility criteria.

### 2.3.2 Social protection

**The total social protection expenditure in BiH is below the EU average. The status-based systems of social protection in both entities leave many excluded.** According to the most recent data, the total government's expenditure on social protection amounted to 13% of the economy's GDP in 2018 (BiH Directorate for Economic Planning, 2020). It is notably below the EU-28 average of 18.6% for the same year (see Annex 1 and Annex 2). The level of expenditure, relative to GDP, remained unchanged compared to 2017 and it is projected by BiH Economic Reform Programme 2020-2022 that the level of expenditure will be further decreased in the mid-term perspective, reaching 12.1% of GDP in 2020 (BiH Directorate for Economic Planning, 2020). Based on the

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<sup>20</sup> FBiH Law on Social Protection, Protection of Civilian Victims of War and Families with Children, FBiH Official Gazette, No. 36/99, 54/04, 39/06, 14/09, 45/16

<sup>21</sup> The exception is Canton 10, where child benefit is paid to all children up to the age of 15 in the amount of approximately EUR 15 monthly.

ESSPROS data for 2015, it can be roughly estimated that the net total social protection expenditure is 95%, while the remaining share is spent on administrative and other costs. Around 3/4 of the receipts for financing social protection in BiH come from mandatory contributions (72%), which is an earmarked revenue of social insurance funds. In a recent ESPN thematic report on financing social protection, Obradović and Jusić (2019b) estimated, based on the Central Bank's data, that on average, 71% in the FBiH and 85% in RS is financed through social insurance. This suggests that the remaining part, on average 25% at the economy level, is financed from the government budgets (entities, cantons and municipalities) and pertains to status-based and means-tested social assistance transfers.

**The BiH social protection system is underdeveloped and insufficiently effective in addressing poverty and inequality issues, while social benefit schemes often discourage entering the formal labour market and stimulate undeclared work.** Social benefits are low and insufficient for fulfilling basic needs, while poor targeting of social transfers is making their effects on poverty reduction almost negligible: the poorest quintile of the population receives only 17.3% of total social transfers and relative poverty would increase only by less than 2 percentage points in the absence of these transfers (Đukić & Obradović, 2016). People in need receive only about one quarter of social assistance benefits, while the other three-quarters receive status-based benefits, mainly war-related categories of beneficiaries who enjoy greater benefits (Đukić & Obradović, 2016; Numanović, 2016). Considering the regressive character of the social protection system (the richest quintile receives 25.4% of funds), its negative effect on inequality is negligible (Đukić & Obradović, 2016) or moderate (Trkić-Izmirlija & Efendić, 2013). Furthermore, although social benefits are insufficient to cover the basic needs of beneficiaries, the current legal framework is preventing households from earning supplementary employment income (e.g. through part-time jobs), because if they exceed the benefit thresholds, the system imposes a loss of rights to social assistance or cuts the amount of benefit (Numanović, 2016b). Considering that beneficiaries usually cannot ensure much higher work-related income than provided through social benefits, they are lacking incentives to move from social assistance schemes to the formal labour market. In that sense, activation components, such as in-work benefits for vulnerable categories, are lacking within the existing social assistance schemes. Finally, social assistance services and informal care (Malkić & Hadžiristić, 2016) are insufficiently developed and neglected in policy discussions.

**Because of the low employment rates and widespread labour market informalities, many people do not have access to the benefits of social insurance schemes.** On the other hand, social assistance expenditure is mainly targeted towards war veterans. According to the 2015 ESSPROS data, war veteran expenditure made 9.4% in the total social protection benefits expenditure in BiH, while only 3.2% of the total net social protection spending pertained to means-tested benefits (those are some child benefits and means-tested social assistance).

**Entity labour markets carry the disproportional burden of financing social insurance schemes.** Payroll tax contributions are the main source of revenue for social insurance funds. Although budget financing is provided in some cases, its share in the financing of social insurance funds is rather small (Obradović and Jusić, 2019b). Hence, social insurance funds for pensions and

disability, as well as public employment services and child fund in RS are financed primarily by payroll contributions. Health insurance funds have additional contributions paid by institutions or individuals, i.e. centres for social work for their beneficiaries, pension funds for pensioners, public employment service for the unemployed, farmers, etc., but these amounts are symbolic.

**A decentralised and disintegrated system of social protection hampers labour mobility.** Annex IV of the Dayton Peace Agreement did not stipulate any competencies for social policy to the central-government level<sup>22</sup>, which means that this area is under the competence of the entities. In the FBiH, social policy and social protection are within the shared competence of the entity and ten cantons, while in RS, the competence for social policy is vested to the entity. As a result, the economy has two independent systems of social protection organised at the entity level<sup>23</sup>. Both entity systems are dominated by systems of social insurance. As a result of decentralisation and asymmetric organisation BiH has two public pension funds (one in each entity), 13 health insurance funds (eleven in the FBiH, one in RS and one in BD), 13 public employment services (eleven in the FBiH, one in RS and one in BD) and one Child Protection Fund in RS. The main source of financing for social insurance funds comes from payroll contributions. Labour is taxed in accordance with entity legislation where the registered activity takes place. Each social insurance fund has a territorial monopoly so that contributions from registered labour activity in its entity or canton is the revenue of the social insurance fund in that canton or entity (the exception can be made with health insurance and insurance in case of unemployment that can be paid to the funds where the worker has a residence). Insurance is non-portable, which means that benefits can be claimed only from the social insurance funds where the insurance was paid. Workers that move from one entity to another, or those working in one canton while residing in another are put in a disadvantaged position.

### 2.3.3 Unemployment benefits

**The coverage rate of persons registered as unemployed by unemployment assistance benefits in both entities is very low.** Figure 9 presents the coverage rate of persons registered as unemployed by unemployment benefit based on data collected by all public employment services in the economy<sup>24</sup>. The coverage rate is generally low because, on the one hand, entity legislation on mediation in employment stipulates a relatively short duration of receiving unemployment assistance benefit and on the other, the incidence of long-term unemployment is very high.

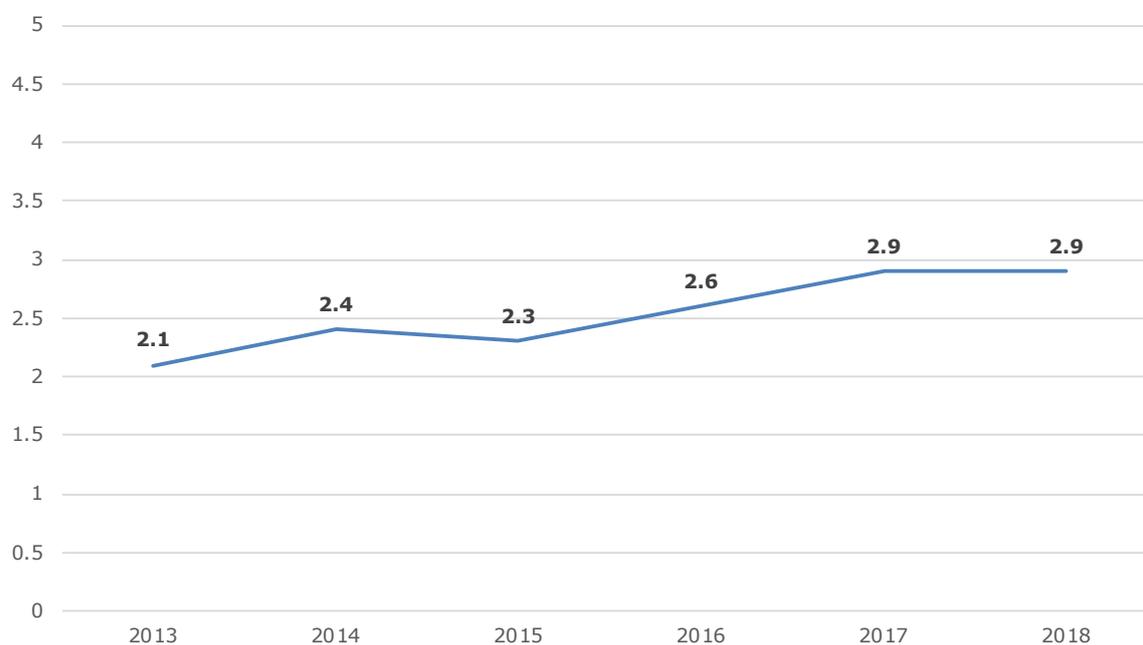
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<sup>22</sup> Under the Law of BiH Council of Ministers, the Ministry of Civil Affairs has a coordination role with regard to representing the economy externally.

<sup>23</sup> There is also Brčko District, which has independent health insurance fund and public employment services.

<sup>24</sup> FBiH Employment Institute and cantonal employment institutes, Employment Institute of RS, and Employment Institute of the BD.

Figure 9. Coverage rate of persons registered as unemployed by unemployment assistance benefit in BiH



Source: Calculations based on data provided in the CPESSEC bulletins, relying on data from Labour and Employment Agency of BiH, FBiH Employment Institute, Employment Institute of RS, Employment Institute of the BD

Table 7. Labour market policy intervention from 2015 to 2018

|  | 2015          | 2016          | 2017          | 2018          | 2015         | 2016        | 2017        |
|--|---------------|---------------|---------------|---------------|--------------|-------------|-------------|
| 1. Labour market services                                | 67,116        | 154,577       | 164,888       | N/A           | 66.0%        | 80.2%       | 78.8%       |
| LMP measures   |               |               |               |               |              |             |             |
| 2. Training  | 660           | 2,474         | 1,002         | 1,859         | 0.6%         | 1.3%        | 0.5%        |
| 5. Sheltered and supported employment and rehabilitation | 12,935        | 8,843         | 11,232        | 29,923        | 12.7%        | 4.6%        | 5.4%        |
| 7. Start-up Incentives                                   | 600           | 2,252         | 2,857         | 1,306         | 0.6%         | 1.2%        | 1.4%        |
| <b>8. Out-of-work income maintenance and support</b>     | <b>12,545</b> | <b>13,057</b> | <b>13,609</b> | <b>12,468</b> | <b>12.3%</b> | <b>6.8%</b> | <b>6.5%</b> |
| 9. Early retirement                                      | 7,908         | 11,496        | 15,716        | 1,449         | 7.8%         | 6.0%        | 7.5%        |

Sources: CPESSEC Statistical bulletins (2015-2019), based on Labour and Employment Agency of BiH, Federal Employment Institute, Employment Institute of RS, and Employment Institute of BD

In all three administrative units, a person is eligible for unemployment benefits after having been continuously employed for 8 months or intermittently employed for 8 months (FBiH) or 12 months (RS and BD) over the past 18 months, where the period spent at work means the period of obligatory insurance in accordance with the legislation governing the system of taxes and mandatory contributions. The length for receiving benefits depends on the total years in insurance (see Table 8). The Amendments to the law, adopted in RS in October 2019, have

prolonged the maximum length of receiving unemployment assistance for those collecting more than ten years of insurance.

Table 8. Length for receiving unemployment benefits

| Length for receiving unemployment benefits | Total number of years in insurance |               |                |               |
|--|------------------------------------|---------------|----------------|---------------|
|  | FBiH                               | RS            |                | BD            |
|  |                                    | Old law       | New law (2019) |               |
| 1 month                                    | N/A                                | Up to 1 year  | Up to 1 year   |               |
| 2 months                                   | N/A                                | 1 – 2 years   | 1 – 2 years    |               |
| 3 months                                   | Up to 5 years                      | 2 – 5 years   | 2 – 5 years    | Up to 5 years |
| 6 months                                   | 5 – 10 years                       | 5 – 15 years  | 5 – 10 years   | 5 – 15 years  |
| 9 months                                   | 10 – 15 years                      | 15 – 30 years | 10 – 20 years  | 15 – 25 years |
| 12 months                                  | 15 – 20 years                      | Over 30 years | 20 – 30 years  | Over 25 years |
| 15 months                                  | 25 – 30 years                      | N/A           | N/A            | N/A           |
| 18 months                                  | 30 – 35 years                      | N/A           | 30 – 35 years  | N/A           |
| 24 months                                  | Over 35 years                      | N/A           | Over 35 years  | N/A           |

Sources: Law on Mediation in Employment and Social Security of Unemployed People in the FBiH<sup>25</sup>, Law on Mediation in Employment and Rights during Unemployment in RS<sup>26</sup>, Law on Mediation in Employment and Rights during Unemployment in BD<sup>27</sup>

**The level of unemployment assistance benefits is low. In the FBiH, the benefit level does not reflect the person's previous salary.** The unemployment assistance benefit in the FBiH is a flat rate and it is not affected by the level of previous earnings. All the unemployed receive an amount that corresponds to 40% of the average FBiH salary in the preceding three months as published by the FBiH Institute for Statistics. Insufficient funding is claimed to be the main reason for the low level of benefits and some cantonal public employment services have difficulties in meeting the obligations. Under the FBiH Law, the FBiH Employment Institute supplements fund shortages of cantonal employment services for the provision of unemployment benefits. In RS, the amount of benefit depends both on the length of insurance and on a person's registered salary. For those with up to 15 years in insurance, it is 45% of the person's average last three salaries, while for those with 15 years in insurance and more, it is 50% of the average last three salaries. The amount of assistance cannot be lower than 80% of the minimum salary in the current year nor higher than one average net salary in the entity for the previous year. In the BD, benefit levels are regulated at the similar principle as in RS: 35% of the average of the person's last three salaries for those who were insured less than 10 years and 40% for those who were insured for more than 10

<sup>25</sup> Official Gazette of the FBiH, No. 41/00 and 22/05.

<sup>26</sup> Official Gazette of RS, No. 30/10, 102/12, 94/19.

<sup>27</sup> Official Gazette of BD, No. 33/04, 19/07, 25/08.

years. The benefit cannot be lower than 20% of the average net salary nor higher than one average net salary as it was in the last month for which the data on salary is available (i.e. published by the office for statistics).

**One of the main incentives to register as unemployed is social benefits, such as health insurance and retirement contributions.** Also, proof of being unemployed is required for claiming benefits outside of the public employment system (for instance, a benefit for unemployed mothers, and some benefits granted by local communities). As a result, public employment services are allegedly overburdened with administrative tasks and do not have time to perform a mediation function for persons actively seeking employment. Most often, the blame is put on administering the health insurance of the unemployed<sup>28</sup>. The economy's Economic Reform Programmes have foreseen excluding from the records of unemployed persons those registered only for the sake of claiming the health insurance, while not actively seeking employment. To that end, the Amendments to the Law on Mediation in Employment and Rights During Unemployment and the Amendments to the Law on Health Insurance adopted in RS in October 2019 changed the definition of unemployed person, enabling the RS Employment Institute to delete persons who do not actively search for jobs from the unemployment register. On the other side, all the unemployed are directly insured by the Health Insurance Fund as of January 2020. The same measure is envisaged in the FBiH, but it is still not adopted.

### **2.3.4 Minimum income**

**Expenditure on means-tested social assistance in BiH is meagre: 0.42% of total social protection expenditure.** The ESSPROS data for 2015 does not provide accurate information about the amount of means-tested social assistance spending. However, ESSPROS for 2015 estimates that only 3.2% of all social protection expenditure is means-tested, of which a major part pertains to child and family benefits (which is 42.9% of all child and family benefits), whereas 34.2% of social exclusion expenditure not classified elsewhere (amounting to BAM 67 million/EUR 34.3 million) is means-tested. Therefore, it can be estimated, on the basis of 2015 data (the latest available data), that the economy spent BAM 22.9 million on means-tested social assistance. Considering that the total expenditure on social protection benefits was BAM 5,373 million in 2015, this means that the economy allocates only 0.42% of social protection expenditure to means-tested social assistance transfers<sup>29</sup>.

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<sup>28</sup> Please note that financing of health insurance for the unemployed entails substantial costs, even though it is paid at reduced rates. Hence, these arguments could be a part of public employment service strategy to liberate itself from the burden of financing it, rather than administrating it.

<sup>29</sup> It excludes transfers for children and families with children and financing of health insurance of all social assistance beneficiaries, which under the ESSPROS manual and user guidelines (2016) are incorporated under the corresponding functions.

**Means-tested social assistance benefits coverage rates in both entities are low.** This is due to very restrictive eligibility criteria specified under cantonal<sup>30</sup> and entity legislation<sup>31</sup> and bylaws. In the FBiH, the general law on social protection only stipulates the rights, but the eligibility criteria and the level of benefit are to be defined by cantonal laws. The RS general law on social protection stipulates the eligibility criteria. Although nominal eligibility rules for social assistance differ between entities and within the FBiH across cantons, access to this right is burdened with very rigid administrative requirements specified in bylaws. The benefit is administrated by centres for social work or municipal departments for social welfare, which have local competencies. In general, the benefit is usually granted to people with no family to support them; people who have no income or assets that could generate income; and people who are unable to work. Both entity laws stipulate the right to permanent monthly allowance<sup>32</sup>, special allowance and one-off allowance<sup>33</sup>. In most cases, recipients of the permanent allowance are usually beneficiaries of two additional allowances. In addition to this, cantons and municipalities (in both entities) can grant additional rights. Table 9 presents the number of adult and minor beneficiaries of the means-tested permanent allowance, special allowance and one-off allowance from 2012 to 2018. It can be observed that the number of beneficiaries has been mainly decreasing, which can be attributed to the tightening of eligibility rules aimed at better targeting of social transfers<sup>34</sup>.

Table 9: Adult and minor beneficiaries of financial allowances, 2012-2018

| Category of beneficiaries  | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>Adult beneficiaries</b> |        |        |        |        |        |        |        |
| Permanent allowance        | 17,797 | 14,311 | 14,099 | 14,086 | 13,812 | 13,058 | 13,286 |
| Special allowance          | 4,707  | 3,791  | 2,211  | 1,583  | 1,901  | 1,555  | 1,253  |
| One-off allowance          | 35,365 | 35,725 | 29,983 | 29,121 | 28,800 | 27,579 | 29,645 |
| <b>Minor beneficiaries</b> |        |        |        |        |        |        |        |
| Permanent allowance        | 1,621  | 885    | 832    | 827    | 982    | 801    | 964    |
| Special allowance          | 737    | 408    | 437    | 310    | 290    | 206    | 262    |
| One-off allowance          | 3,432  | 3,435  | 2,875  | 3,081  | 3,309  | 2,154  | 1,668  |

Source: Agency for Statistics of Bosnia and Herzegovina, 2018d and 2019g

**The benefit level is below the subsistence minimum and in most cases, it does not affect the poverty status of beneficiaries.** The monthly amount of benefits in the FBiH varies from

<sup>30</sup> The FBiH Law on Social Protection, Protection of Civilian Victims of War and Families with Children (FBiH Official Gazette, No. 36/99, 54/04, 39/06, 14/09, 45/16) stipulates the right to means-tested social assistance, but its implementation is devolved to cantons.

<sup>31</sup> RS Law on Social Protection, Official Gazette no. 37/12 and 90/16

<sup>32</sup> Permanent, as long as conditions under which it was granted remain.

<sup>33</sup> One-off allowance is paid twice a year at most for a household. This allowance cannot exceed the amount of five allowances in total determined by law, except for cases requiring higher amount due to exceptional circumstances.

<sup>34</sup> For more information on government's policy on the targeting of social transfers, please see Obradović (2018).

approximately EUR 25 in Una-Sana Canton to approximately EUR 77 in Bosnian-Podrinje Canton. In RS, the amount of social assistance for a one-person family is 15% of the base<sup>35</sup> (which is the previous year's average salary in RS; in 2019 it was EUR 463), which currently amounts to EUR 69.5. This is not sufficient to cover basic living expenses. As mentioned earlier, beneficiaries of means-tested social assistance (permanent allowance) are usually eligible for one-off allowance and special allowance and some in-kind benefits. However, altogether, these benefits do not affect the poverty status of these beneficiaries (see Section 12).

For more details on the work-related minimum income (wages), please see Section 6 in Chapter 2 of the report.

### 2.3.5 Old age income and pensions

**Pension system coverage rate of persons aged 65 and above is especially low for women.** It can be estimated that the general pensions' coverage rate for the age cohort 65+ (both men and women) was 82.6% in the FBiH and 77.1% in RS in 2019<sup>36</sup>. Compared to estimates for earlier years,<sup>37</sup> general coverage rates have been improving. Table 10 gives gender-disaggregated estimates of entity pension system coverage rates of people aged 65 and above. As the FBiH number of pensioners is from December 2018, while RS number of pensioners is from 2013, the estimated coverage rates can be regarded only as approximate values. However, we can observe that coverage rates are significantly lower for women compared to men, which is the case especially in RS. This is a consequence of men having higher employment rates, as well as more favourable conditions for retirement stipulated through privileged pension legislation for war veterans and demobilised soldiers.

Table 10: Pension system's gender-disaggregated coverage rates of persons aged 65 and above, BiH

|                                  | FBiH<br>total | FBiH<br>men | FBiH<br>women | RS total | RS<br>men | RS<br>women |
|----------------------------------|---------------|-------------|---------------|----------|-----------|-------------|
| People aged 65+                  | 285,946       | 118,973     | 166,973       | 200,389  | 83,596    | 116,793     |
| Number of pensioners<br>aged 65+ | 221,745       | 102,504     | 119,241       | 150,508  | 87,075    | 63,433      |
| Pensions coverage rate           | 78%           | 86%         | 71%           | 75%      | 104%      | 54%         |

<sup>35</sup> For a two-member family 20% of the base, for a three-member family 24%, for four-member family 27%, and for a family with five or more members 30% of the base (Law on Social Protection, art. 24)

<sup>36</sup> The estimate is based on the FBiH Pension Fund's and the RS Pension Fund's data on the number of pensioners who received an old-age pension in December 2019 and 2013 Census data. Having in mind that the data provided by the funds are not disaggregated by different demographics, it is not possible to make a more elaborate analysis on the basis of existing data. Furthermore, it can be assumed that provided estimates are slightly inflated, considering demographic trends (ageing of the population), while Census data on the number of people aged 65+ is from 2013.

<sup>37</sup> Obradović (2010) estimated that pension system coverage rate was 70.9% in the FBiH and 60% in RS in 2008.

Source: BiH Agency for Statistics 2013 Census data; FBiH Pension Fund data from December 2018, and RS Pension Fund data from December 2013

**BiH entities do not have guaranteed old-age income for persons who have not earned a pension.** As mentioned in the previous paragraph, a significant number of people aged 65 and above are without a pension, and many of them are at risk of poverty. Under the entity laws on social protection, persons age 65 and older might be entitled to means-tested social assistance, but only when they do not possess a property, which could generate income, nor relatives who are obliged to support them (see Section 14).

**Pension systems' replacement rates measured as a share of average pension in average salary in both entities exceed 40%.** Despite all difficulties in financing pensions at the attained level (see Obradović and Jusić, 2019a), entity pension funds have managed to keep the system's replacement rates, measured as a proportion of average pension in average salary, above 40%.

Table 11: Entity pensions systems' replacement rates (EUR 1: BAM 1.95)

| Year                        | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019<br>(DEC) |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| FBiH Average salary in BAM  | 792.08 | 804.37 | 819.36 | 829.92 | 835.17 | 847.00 | 830.42 | 839.25 | 875.00 | 914.00 | 928           |
| FBiH Average pension in BAM | 345.79 | 340.59 | 349.17 | 351.34 | 348.39 | 365.06 | 368.36 | 369.81 | 371.59 | 398.97 | 416.45        |
| FBiH Replacement rate (%)   | 43.66  | 42.34  | 42.61  | 42.33  | 41.71  | 43.10  | 44.36  | 44.06  | 42.47  | 43.65  | 44.88         |
| RS Average salary in BAM    | 788    | 784    | 809    | 818    | 808    | 825    | 831    | 836    | 831    | 857    | 906           |
| RS Average pension in BAM   | 320    | 320    | 321    | 311    | 325    | 338    | 342    | 341    | 351    | 375    | 381,31        |
| RS Replacement rate         | 40.59  | 40.84  | 39.65  | 38.02  | 40.23  | 40.93  | 41.15  | 40.79  | 42.23  | 43.75  | 42.09         |

Source: Entities' pension and disability insurance funds and institutes for statistics

**Substantial redistribution within the FBiH Pension fund goes in favour of pensioners with a minimum pension.** If the minimum pension, which in the FBiH amounted to BAM 371.77 (EUR 190.08) per month in S2 2019, is considered in relation to the amount of the minimum salary (around EUR 203), the replacement rate in this entity is 93.6%. Hence, substantial redistribution within the FBiH Pension fund goes in favour of pensioners with a minimum pension.

**Replacement rate increases with the increase in years in insurance in RS.** As presented in Table 12, the RS Pension Fund has several levels of the minimum pension. If the level of minimum pensions is compared with the level of the minimum salary in RS, which was BAM 450 (EUR 230.1)

in 2019, it can be observed that the replacement rate for the lowest minimum salary exceeds 40%, but also increases, depending on the period for which a beneficiary was insured before exercising the right (see Table 12). It is also worth mentioning that replacement rates have increased (y-o-y) for all levels of the minimum pension in 2019 (see Table 12).

Table 12: Relationship between the minimum salary and the minimum pension in RS in 2019

|   | Years in insurance      | Levels of minimum pension                                  | Amount of pension in EUR | The minimum salary in EUR | Minimum pension/ minimum salary | Change in replacement rate compared to 2018 (pp) |
|---|-------------------------|--|--------------------------|---------------------------|---------------------------------|--|
| 1 | For up to 15 years      | 50% of the average pension financed from the entity budget | 100.1                    | 230.1                     | 43.5%                           | + 0.8  |
| 2 | Between 15 and 20 years | 60% of the average pension financed from entity budget     | 120.1                    | 230.1                     | 52.2%                           | + 1.0  |
| 3 | Between 20 and 30 years | 70% of the average pension financed from entity budget     | 140.1                    | 230.1                     | 60.9%                           | + 1.1  |
| 4 | Between 30 and 40 years | 80% of the average pension financed from entity budget     | 160.2                    | 230.1                     | 69.6%                           | + 1.3  |
| 5 | 40 years                | 100% of the average pension financed from entity budget    | 200.2                    | 230.1                     | 87.0%                           | + 1.6  |

**The significant gender gap among pension beneficiaries has been worsened by privileged pension rights.** As presented in Table 13, the share of women benefiting from old-age and disability pensions is approximately 30%, whereas women make 95% of survivors' pension beneficiaries. This is a consequence of women's position in the labour market. Obradović and Jusić (2019b, p. 19) pointed out that the underrepresentation of women in the labour market, within a system of social protection relying primarily on social insurance, had reinforced the male breadwinner model and the women's dependent status within the family. This is related not only to pension rights but also to health insurance, which women can claim on the basis of their dependent status.

Table 13: Pension beneficiaries by type of pension received and gender in BiH in 2015

| Number of public pension funds beneficiaries in BiH | Total   | Women   |            | Men     |            |
|---|---------|---------|------------|---------|------------|
|   |         | Number  | Percentage | Number  | Percentage |
| Total number of pension beneficiaries               | 653,953 | 332,316 | 50.8%      | 321,637 | 49.2%      |
| Old age pension beneficiaries                       | 341,847 | 111,552 | 32.6%      | 230,295 | 67.4%      |
| Disability pension beneficiaries                    | 116,768 | 34,762  | 29.8%      | 82,006  | 69.2%      |

|                                  |         |         |       |       |      |
|----------------------------------|---------|---------|-------|-------|------|
| Survivors' pension beneficiaries | 195,338 | 186,002 | 95.2% | 9,336 | 4.8% |
|----------------------------------|---------|---------|-------|-------|------|

*Source: Agency for Statistics of BiH (2019c), ESSPROS*

Furthermore, the privileged pension legislation for war veterans has created an additional gender imbalance among beneficiaries. Entity pension systems are plagued with privileged pensions for war veterans and demobilised soldiers that were granted under both special and general legislation to former members of the Army of Bosnia and Herzegovina and the Croatian Defence Council in the FBiH Pension Fund, and former members of the Army of Republika Srpska in the RS Pension Fund. More than 95% of privileged pension right beneficiaries are men. These rights entail substantial costs, representing a long-term financing obligation for the entity budgets.

**Significant policy changes regarding the pension system(s) have not been introduced in 2019.**

However, the FBiH Institute for Pension and Disability Insurance has been integrated into the general budget of this entity in 2020, thus obtaining the status of the budget user, as it was envisaged by the new Law on Pension and Disability Insurance adopted in 2018 (BiH Directorate for Economic Planning, 2020). In that sense, payments of pensions are now facilitated through the Single Treasury Account (Ibid.). It ensures the stability of the pension system, considering that transactions could be now financed not only by funds acquired through contributions from salaries, but also by funds available in the public budget.

### 2.3.6 Health care

**Coverage and access to health care are not universal.** Although entity legislation on social insurance and social protection envisages universal health protection coverage on the basis of the Bismarckian principle, many individuals are not effectively covered. According to the latest estimates published by the Health Insurance and Reinsurance Fund of FBiH (2018, p. 9), 89.74% of the population in the FBiH was registered as insured in 2017. However, the coverage across cantons in the FBiH varies, ranging from 64% in Posavina Canton to more than 100% in Sarajevo Canton and Bosnian-Podrinje Canton (because these cantons granted health insurance to minority returnees to other cantons and RS). The RS Health Insurance Fund estimates that approximately 80% of inhabitants are insured, whereas 20% are without insurance, mainly because they are not registered for health insurance (14%) or because their health insurance contributions have not been paid (6%).<sup>38</sup> However, the official figures about insurance coverage must be treated with caution because of the problem of unpaid contributions. If health contributions are not paid on time, a person, despite being registered with insurance, would be treated as uninsured. Besides, for many of those who are insured, access to services in most cantons is hampered by participation fees and out-of-pocket payments.

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<sup>38</sup> Information received from the RS Health Insurance Fund (18 January 2019). The latest publicly available data is from 2018, indicating that there were 910,484 individuals covered by health insurance in this entity (RS Health Insurance Fund, 2019).

**RS introduced the Amendments to the Law on Health Insurance in October 2019, thus ensuring more adequate coverage of citizens by this right.** The amended law expanded the right to health insurance to 13 vulnerable categories on the basis of age, health conditions, disability or financial status, if they cannot be insured on any other basis (e.g. children aged up to 15, students aged up to 26, persons older than 65, persons suffering from rare and severe diseases, persons with different disabilities, those who suffer from infectious diseases, etc.). Also, as mentioned before, these changes terminated the obligation of non-employed persons to be registered as unemployed at PES to be able to claim this right but enable them to be insured on the basis of other criteria stipulated by the law.

**A share of citizens who report unmet need for medical care in BiH is above the EU average.** An estimate of self-reported unmet need for medical care is available only from the HBS data. According to the most recent HBS data from 2015 (Agency for Statistics of BiH 2018a), 5.1% of BiH citizens (6.1% in the FBiH and 3.2% in RS) who required medical care did not receive it. For the sake of comparison, the EU average for the same year was 3.2% and since then has further decreased to 2% in 2018 (see Annex 1). It is also above the share in two (North Macedonia and Montenegro) out of three Western Balkan economies for which data is available (see Annex 2). In the case of dental treatments, it was 2.2% (2.5% in the FBiH and 1.7% in RS). As declared, the main reasons for need being unmet were the inability to afford it (41.1%) and long waiting lists (23.5%). Concerning dental treatment, the main stated reason was the inability to afford it (reported by 77.8% of the respondents).

**Health insurance paid in one entity/canton is non-portable to another entity/canton.** Health insurance is paid to the health fund where the insured person has a residence, i.e. in the FBiH to one of ten cantonal health funds or in RS to the RS Health Insurance Fund or District Brčko Health Insurance Fund. As health insurance funds have contractual agreements with public service providers<sup>39</sup> only in the area of their responsibility, i.e. canton or entity, the health insurance is valid only in that canton or entity. This poses a problem, especially for people working in one canton/entity and residing in another, for people travelling and similar. In case that an insured person happens to need medical care in a place where he/she is not covered by insurance, he/she will be treated as an uninsured person and will need to pay for the full cost of services. In principle, these costs should be reimbursable by their health insurance fund, but the procedure is lengthy and not always with a favourable outcome.

**High out-of-pocket expenditure in both entities reveals all the health system's shortcomings.** According to the WHO Global Health Expenditure (2020) database, out-of-pocket expenditure on healthcare comprises 29.1% of the total expenditure in 2017 (latest available data). It increased slightly compared to the two preceding years (28.7% in 2016 and 28.8% in 2015). This can be considered as a relatively high figure, considering the economy's poverty and inequality profile. Such a high figure is a consequence of participation fees and additional out-of-pocket payments

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<sup>39</sup> Although the law gives the possibility to health insurance funds to sign a contract with both public and private health care providers, contracts with private service providers are rarely signed. Usually this only happens in case of some services, for which the public health institutions do not have the necessary equipment or similar.

(for medicines that are not on the list of subsidised medicines and treatments that are payable in full despite insurance coverage) that insured patients incur while receiving treatments at public health institutions. Also, private service providers that are financed primarily by direct out-of-pocket payments continuously report increasing positive financial results. In RS, private health expenditure makes up – on average – 3% of the entity's GDP, while in the FBiH private health expenditure is estimated to be 2% of its GDP (Obradovic and Jusic, 2019, p. 14)<sup>40</sup>. Still, out-of-pocket expenditure is below the levels reported for other Western Balkan economies, which varied from 31.8% in Montenegro to 56.9% in Albania in 2015 (latest comparable data, Kosovo\* not included; WHO Global Health Expenditure, 2020).

### **2.3.7 Inclusion of persons with disabilities**

**Both entities generate discrimination towards persons with disabilities.** Under both entities' legislation, it is possible to distinguish four status categories of persons with disabilities. Those are (a) war veterans with disabilities, (b) civilian victims of war, (c) persons with employment or professional illness-related disabilities<sup>41</sup> and (d) persons with disabilities under general social protection legislation. Assessment of disability for each of these categories is conducted under different criteria, and each of these categories has different legal entitlements. War veterans with disabilities keep a privileged position, followed by civilian victims of war, compared to the two other status categories of persons with disabilities. The UN Committee for the Rights of Persons with Disabilities in its Concluding Observations on the Initial Report of Bosnia and Herzegovina (2017) expressed concerns over the different legal entitlements for persons with disabilities, and the ongoing practices of different assessments of the same disability based on the causes and/or origin of the disability. The recommendations stated that the economy should develop and apply harmonised criteria, assessment procedures and entitlements for assessing the degree of impairment for all persons with disabilities regardless of the causes of their impairment.

**Harmonisation of the assessment procedures and entitlements for persons with disabilities is hampered by disintegrated competencies between the ministries and the lack of political will.**

At the FBiH level, the entitlements of persons with disabilities fall under the competence of the Ministry of War Veterans and two sectors of the Ministry of Labour and Social Policy. In RS, the competent ministries are the Ministry of Health and Social Protection and the Ministry of Labour and War Veterans. There is very little coordination between these ministries and there is even not sufficient coordination between different sectors within ministries. Both entity governments have strategies in this area<sup>42</sup> that envisage harmonisation of entitlements for persons with disabilities regardless of the cause of disability. However, little has been achieved in this respect so far. The

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<sup>40</sup> One should keep in mind that the size of private health expenditure is probably underestimated as the private sector generally underreports its activities in order to minimise tax liabilities.

<sup>41</sup> Their rights are recognised under the general pensions and disability legislation.

<sup>42</sup> The FBiH Strategy for Improvement of Rights and Situation of Persons with Disabilities for 2016-2021 and the RS Strategy for Improvement of Social Status of Persons with Disabilities in Republika Srpska 2017-2026.

half-hearted approach for making necessary changes in this area is illustrated by the case of the earlier drafted FBiH Law on Basic Principles and Financial Protection Framework for Persons with Disabilities. Aligned with the past strategy in this area, the law stipulated harmonisation of the procedures and equalisation of financial assistance benefits for persons with disabilities of different status. In 2014, the draft law was adopted by the FBiH House of Representatives, but it has never been presented for adoption at the FBiH House of Peoples.

**The level of benefits for persons with disabilities under the general social protection legislation is not sufficient to offset the costs of living and care.** In the FBiH, the benefits level for persons with disabilities<sup>43</sup> has not changed since 2009, when the benefits were restricted only to persons with 90% and 100% disability. Although the 2016 amendments to the law stipulated a new base in the amount of BAM 274.40/EUR 140.70 (instead of the earlier provision that defined the base as a percentage of the minimum salary under the general collective agreement), the level of benefit in payment did not change. The maximum level of benefits that includes disability benefits, assistance for the aid of another person and assistance for orthopaedic aid, amounts to EUR 207 monthly, which is approximately the level of the minimum salary. Considering the high costs for the care of persons with the highest level of disability, this amount cannot be considered sufficient.

**In October 2019, RS passed the Amendments to the Law on Social Protection.** The aim was to align the Law with the RS Strategy for Improvement of Social Status of Persons with Disabilities in Republika Srpska 2017–2026<sup>44</sup>. The changes legislated the right to personal disability benefit for individuals with the most severe degree of disability, which were introduced in 2018 by the RS Government Decree. Legal provisions include benefits for persons with 70% to 100% of disability who are not institutionalised or in foster care and who do not receive assistance on the basis of war-related disability (art. 35a), which should guarantee a minimum level of financial security to these categories. The stipulated levels of benefits are 9% of the average net salary in the previous year for persons with 70% of disability, 11% for 80% of disability, 13% for 90% of disability and 15% of the average net salary for 100% of disability (art. 35b). Before these changes, a person with a disability who did not fall into any other status category, under the general law on social protection had only the right to assistance for the care of another person, which is 20% of the base (average net salary in the previous year) for those completely dependent on care from another person or 10% of the base for those partially dependent on care.

**Institutional care is still prevalent, and services within the community that would allow independent living are missing.** The UN Committee noted that the resources have continued to be invested in renovating or extending institutions, while the initiatives of – and opportunities provided for – organisations of persons with disabilities to develop services within the community enabling independent living are not adequately supported. Also, it can be observed from Table 14 that number of adults and minors with disabilities in institutions of social protection has been on

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<sup>43</sup> Under the FBiH Law on Social Protection, Protection of Civilian Victims of War and Families with Children (FBiH Official Gazette, No. 36/99, 54/04, 39/06, 14/09, 45/16)

<sup>44</sup> RS Official Gazette, no. 37/12 and 90/16

increase. Adult beneficiaries are institutionalised for different reasons. In 2018, 29.1% of the total number of adult beneficiaries had mental disabilities (1.144 adults) and physical disabilities (685 adults).

Table 14: Number of adults and minors with disabilities in institutions of social protection in Bosnia and Herzegovina from 2014 to 2017

| Beneficiaries of institutional care | 2014  | 2015  | 2016  | 2017  | 2018  |
|-------------------------------------|-------|-------|-------|-------|-------|
| Adults                              | 3,912 | 4,850 | 5,324 | 5,778 | 6,284 |
| Minors with disabilities            | 1,276 | 1,742 | 2,742 | 2,748 | 2,776 |

Source: Agency for Statistics of Bosnia and Herzegovina 2018d and 2019g

The Institution of Human Rights Ombudsman of BiH (2018, p. 8) notes that the figures provided by the Agency for Statistics do not give a full picture, because they do not include those persons placed in health institutions. This is the case in RS, where a significant number of persons with intellectual disabilities and mental impairments live in institutions.

**The FBiH government adopted the Strategy of Deinstitutionalization and Transformation of Social Protection Institutions (2014-2020), but its implementation has been very limited.** The main progress in this area has been achieved by local non-governmental organisations (and through the financial support of international donors), which initiated deinstitutionalisation in Zenica-Doboj Canton, Una-Sana Canton, Central Bosnia Canton and Herzegovina-Neretva Canton. In these cantons, some 60 persons with intellectual and physical disabilities were relocated from the institutions into special local housing communities with a maximum of five persons, where they are provided with training and rehabilitation support, allowing them to develop a degree of independence and participation in the society. Still, this is scarce, and entity governments do not sufficiently support this process. One important precondition would be the development of social services at the local level and the strengthening of centres for social work competencies.

**Both entities stimulate the employment of persons with disabilities through the quota system, but with limited impact.** A recent evaluation report by the Supreme Office for the Republika Srpska Public Sector Audit (2019) reveals that the system of professional rehabilitation and employment of persons with disabilities did not result in higher employment among this group. Support to the employment of persons with disabilities is regulated by the Law on Professional Rehabilitation, Training and Employment of Persons with Disabilities in RS (Official Gazette of RS, 37/12 and 82/15) and by the Law on Professional Rehabilitation, Training and Employment of Persons with Disabilities in the FBiH (Official Gazette of the FBiH, 9/10). Under these laws, public sector employers have the option to either employ one person with a disability in every 16 employees without a disability or pay a special contribution. In RS, the contribution for public sector employers is 0.2% on gross salaries of all employees or 0.1% in the case of private sector employers (art. 26 and 27). In the FBiH, the contribution for public sector employers non-complying with the quota is 25% of the average salary in the FBiH for every person with a

disability that they should have employed, while for private employers the contribution is 0.5% on gross salaries of all employees (art. 18 and 19). This is earmarked revenue of the entity funds for professional rehabilitation. According to the Audit Office for the Institutions of the Federation BiH (2017), neither the FBIH Tax Authority nor the fund has control over the collection of these contributions. The same problem persists in RS, as the RS Fund does not have sufficient information about employers who are required to employ persons with disabilities and therefore do not have information about the level of compliance (The Supreme Office for the Republika Srpska Public Sector Audit, 2019, p. 9). Furthermore, in the FBIH, the entity public employment service allocates 10% and cantonal employment services 5% of funds budgeted for active labour market policies to the FBIH Fund for Professional Rehabilitation. The entity funds stimulate the employment of persons with disabilities through a refund of contributions to employers complying with the quota, as well as through measures like professional rehabilitation and training, employer subsidies and support for the purchase of workplace equipment.

### **2.3.8 Long-term care**

**The economy does not have a system of long-term care in place, but some minor policy-level progress has been achieved in 2019.** Despite the presence of a considerable number of persons with disabilities<sup>45</sup>, and older and frail persons requiring 24-hour care, BiH does not have a system of long-term care in place (Jusić, 2019). Although, some elements of long-term care are available within the system of social protection to which, according to the ESSPROS 2015 data, BiH spent 0.1% of its GDP in that year; the same level of spending for long-term care was also recorded within the healthcare system (Agency for Statistics of Bosnia and Herzegovina, 2019c). Within the system of social protection, persons in need of long-term care have financial assistance for the care by another person, whose level of benefit depends on the persons' disability status (already elaborated in Section 17), or placement in an institution of social protection (which can be for the frail and elderly or for persons with disabilities). Few municipalities offer community-based services, such as home assistance, community nursing or day care centres, some of which are supported by international and local non-governmental organisations, but these are generally underdeveloped. Within the healthcare system, long-term care is available as palliative care delivered within hospitals, but only for the duration of receiving treatment (Jusić, 2019). As a result, persons in need of long-term care depend on their relatives, friends and neighbours. Informal carers are most often women in the family or in the case of wealthy families, women hired informally to provide assistance.

**Long-term care is not included in any relevant strategic documents.** Nothing beyond the current provisions of financial assistance and services is envisaged by strategies in the social realm. On the other hand, available demographic indicators show worrying trends. Since 2007, the economy has registered a negative population growth rate, caused primarily by decreasing birth rates, which in

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<sup>45</sup> According to the 2013 Census data, in that year, BiH had 8.3% or 294,058 persons with disabilities (out of which 132,975 men and 161,083 women) (Ombudsmen BiH Report, 2018, p. 9).

recent years have been aggravated by migration outflows of young people in their fertile age. The BiH population is becoming older, which is also a result of the increasing average age at death. The latest data shows that the average age at death was 76.8 for women and 71.4 for men in 2018, which represents an increase by 3.2 and 3.3 years respectively over the period of ten years. (Agency for Statistics of Bosnia and Herzegovina, 2019h). Estimates about healthy life years at age 65 are not available.

**Some policy changes are in sight in the FBiH, but the outcome of the policy reform process is still not predictable.** The Draft Law on Amendments to the Law on Social Protection, Protection of Civilian Victims of War and Families with Children has been adopted by the FBiH House of Representatives (February 2019) and approved by the FBiH House of Peoples (December 2019), meaning that the draft can be shaped into the Bill that has to be further discussed and voted-on/passed by these two institutions. The amendments stipulate the introduction of a monthly benefit and social insurance for parents, or exceptionally other family members, caring for children with disabilities or family members requiring 24-hour care. However, the law still needs to pass several procedures before its adoption. Before its adoption by the House of Representatives, the draft law had not received support from the FBiH Government, which stated in an opinion that the conditions for its adoption were not in place (Jusić, 2019).

**New Amendments to the Law on Child Protection in RS introduce financial assistance to parents of children who need 24-hour care.** Namely, the amendments adopted in December 2019 envisage financial benefits for unemployed parents of children (or other family members in the cases where they had to take care of a child) who are totally dependent on the care of another person to meet basic living needs and who are not accommodated by relevant institutions or in foster care (art. 36a and 36b). In case the family has one child who requires care, only one unemployed parent is eligible for assistance, while in the cases of families with two or more children that need 24-hour care, both parents are eligible to receive benefits if they are unemployed (art. 36a). The amount of the benefit is equal to 25% of the minimum salary in the previous year (art. 36g). These amendments have been in effect since January 2020.

### **2.3.9 Housing and assistance for the homeless**

**The economy does not have a housing policy for tackling homelessness and housing exclusion among the general population. However, as a post-war economy, BiH has two main status categories that have been provided with housing assistance – war veterans, and refugees and internally displaced people.** Housing expenditure for these two categories is captured by the 2015 ESSPROS data and amounted to BAM 2 million (EUR 1.02 million), which is 0.037% of the economy's total social protection expenditure (Agency for Statistics of Bosnia and Herzegovina, 2019c). All this housing expenditure is non-means tested and mostly pertains to housing assistance for war veterans and housing assistance for internally displaced people and refugees. Housing assistance to refugees and internally displaced persons has been the economy's obligation under Annex VII of the General Framework Agreement for Peace in BiH (or the Dayton Peace Agreement), which concerns the rights of refugees and displaced persons to return to their

homes of origin and the right to be restored with the property of which they were deprived during the war. However, after more than 20 years of housing reconstruction programmes that were supported by international donor funding, the most vulnerable categories of internally displaced remained unassisted. Those were people who could not qualify for housing reconstruction and assistance programmes because they did not have a housing property from before the war. Some of these people still live in collective centres, which under the current Revised Strategy for the Implementation of Annex VII are intended to be closed down by the government. The strategy also provided a strategic framework for seeking modalities for housing solutions for other vulnerable categories and the development of a new strategic approach to housing in BiH (MHRR 2010, p. 31), primarily with the aim of finding a solution for the most vulnerable categories in collective centres.

**In June 2019, RS enacted the Law on Social Housing<sup>46</sup> to regulate the provision of social housing in local communities, the construction of which had already started through the Regional Housing Project and credit funds from the European Central Bank<sup>47</sup>.** The law prioritises different categories of persons in need (e.g. young married couples, persons whose professions are in demand and vulnerable categories) who, due to different economic, social or health reasons, are unable to realise their right to housing (art. 2 and 11). The law obliges the government to develop a Strategy on Social Housing within a year.

**In the FBiH, the social housing legislation was adopted earlier in Bosnia-Podrinje Canton and Zenica-Doboj Canton, which was facilitated by international non-governmental organisations (hereinafter: INGO) (Obradović and Jusić, 2019b).** However, as pointed out in an analysis done by Hilfswerk Austria International (HWAi) (2015, p. 78), the primary aim of these initiatives was to provide a minimum regulatory framework for the INGOs and donors to continue their work in constructing and providing social housing in cooperation with the local communities in places where there were needs and interest. It was planned for the Law on Social Housing to be adopted in Sarajevo Canton in 2019, but the Law has not been discussed and voted on so far.

**Social protection legislation in entities do not recognise homeless persons as a specific category of persons in need, and homelessness is not monitored.** The only category of persons in need stipulated by the legislation, whose situation might imply homelessness, are persons under the category of the so-called socially inappropriate behaviour, i.e. idle persons, beggars, vagabonds, alcoholics (FBiH Law on Social Protection, Protection of Civilian Victims of War and Families with Children, art. 17; RS Law on Social Protection, art. 18). The RS law also stipulates additional categories, such as people who have suffered family violence, illegal trafficking or long-term unemployment and poverty, environmental disaster or war, etc. For that reason, homelessness is neither monitored nor reported by the social statistics. The only available information on the number of homeless persons comes from the 2013 Census data on people living rough, which is presented in Table 15. It is also known that institutions of social protection and collective centres

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<sup>46</sup> RS Official Gazette, no. 54/19.

<sup>47</sup> Financing of 1,000 social housing apartments or 200 to 300 on an annual basis is planned under these projects.

host some people because of their housing problems. While the Census enumerated people living in institutions of social protection and collective centres, questions about the reasons for being accommodated by the institutions were not asked.

Table 15: Number of people living rough by entity and gender, 2013

| Entity | People living rough |       |       |
|--------|---------------------|-------|-------|
|        | Men                 | Women | Total |
| FBiH   | 72                  | 30    | 102   |
| RS     | 127                 | 81    | 208   |
| BD     | 3                   | -     | 3     |
| Total  | 202                 | 111   | 313   |

Source: BiH Agency for Statistics, 2013 Census data, taken from Obradović and Jusić (2019b, p. 5)

**Municipalities that can provide emergency accommodation for the homeless are rare.** Only Sarajevo and Banja Luka have gerontology centres that have units for emergency accommodation, with a limited number of places for adults (with 25 sleeping places in Sarajevo and 10 places in Banja Luka). Only homeless persons referred to by the centres responsible for social work or the police can use the emergency accommodation and only for a limited period of time (Obradović and Jusić, 2019c). In Zenica, Brčko and Mostar, emergency shelters are run by non-governmental organisations.

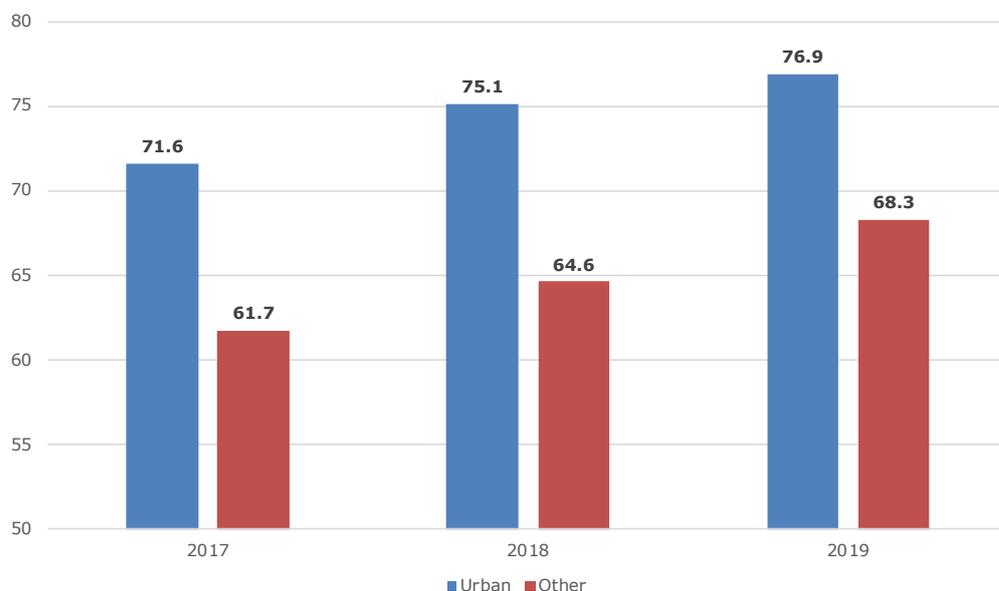
### 2.3.10 Access to essential services

**BiH underperforms regarding the overall digital competencies and skills among the working-age population.** Only 24% of the population aged 16-74 had basic or above basic overall digital skills in 2019, as shown by the EUROSTAT's proxy indicator (EUROSTAT, 2020a). It is notably below the EU-28 average of 58% for the same year. BiH also lags behind the other three Western Balkan economies for which data is available, considering that this share ranges between 28% (Kosovo\*) and 46% (Serbia) (Ibid.). Gender differences in terms of digital skills are notable: digital skills are on basic or above-basic levels among 29% of men belonging to this age cohort, while it is the case only for 20% of women (see Annex 1). In that sense, the gender gap (9 percentage points) is significantly higher compared to the EU-28 average (4 percentage points) (Ibid.). Consistently, the Global Competitive Index 2019 ranked BiH low in terms of digital skills among the active population: BiH is positioned as 102<sup>nd</sup> out of 141 economies, far below the majority of Western Balkan economies, except North Macedonia, which has been positioned on 106<sup>th</sup> place.

**Slightly less than two-thirds of households have access to a computer, and the gap between urban and rural households in this respect is non-negligible.** According to the official survey on the use of information and communication technologies in BiH in 2019, 64.8% of households in the economy have access to a computer, where the share of urban households with access is 69.6% compared to 61% of households in other types of settlements (Agency for Statistics of Bosnia and Herzegovina, 2020b). Compared to 2018, it was increased by 1 percentage point (see Agency for Statistics of Bosnia and Herzegovina 2019e). However, the gap in access between urban and non-urban households remained almost unchanged (8.6 percentage points), considering that a similar increase has been recorded for both groups of households. Likewise,

there are more households with internet connection in urban areas than in other types of settlements. As presented in Figure 10, the gap between urban and other settlements was 8.6 percentage points in 2019. Recent data indicates that the gap is shrinking, considering it was amounting to approximately 10 percentage points in the preceding two years.

Figure 10: Share of households with internet access by type of settlement, 2017-2019 (%)



Source: Agency for Statistics of Bosnia and Herzegovina, 2020b

**Access to a computer is highly correlated with the household income.** Thus, 94.4% of households with monthly income exceeding BAM 2,500 (EUR 1,278) have access to a computer, while the share of households that have access to a computer with income up to BAM 500 (EUR 256) is only 37.6%.

### 3 Conclusion

**BiH underperforms in the majority of the areas covered by this report.** Despite the fact that the welfare and labour market outcomes are at permanently low levels, little has been done at the policy level to improve the existing situation. In that sense, the policy progress achieved in the relevant areas in 2019 was modest at best.

**Education and skills development are among the weakest areas of the BiH economy, negatively affecting employment prospects and resulting in structural imbalances on the labour market.** Notable skills mismatches and labour market gaps are, to a great extent, resulting from the low quality of education and its weak links with industry. Furthermore, the high rate of NEETs suggests that accessible and affordable non-formal education and training options are lacking while, on the other hand, ALMPs neglect training measures. Education also fails to provide equal opportunities and skill-enhancing conditions for persons with disabilities, while effective mechanisms for better inclusion of Roma and retention of women are lacking, thus undermining their long-term prospects on the labour market. Finally, despite slight improvements, the coverage of children in preschool education is still very low, while the lack of affordable and accessible childcare, especially in rural areas, negatively affects female labour market outcomes, boosting inactivity among women. Despite the poor performance and widely recognised education-related issues, reforms in this domain are being implemented at a slow pace.

**Active support to employment suffers many shortcomings, including an inability to react to beneficiaries' needs in a timely manner or to offer personalised services.** In that sense, timely support to unemployed persons is usually lacking, primarily due to the poor individual guidance and counselling systems as well as weak targeting of ALMPs, thus putting unemployed persons at risk of slipping into long-term unemployment and becoming less employable. Targeting of active measures is not sufficiently personalized, meaning that hiring subsidies, as well as the majority of other schemes, are usually implemented in the form of public calls for employers, while the individual guidance through the job-seeking process that could steer participation in ALMP programmes with respect to the identified needs of the unemployed person is usually lacking. Although some efforts oriented towards the improvement of individual career guiding and counselling started in 2018, other complementary activities are still not articulated, especially in the FBiH where the policy in this area stagnates.

**The social protection system is insufficiently effective in reducing poverty and activating beneficiaries, thus often locking them into poverty and failing to create more equal opportunities for those at a disadvantage.** In that sense, the targeting of social transfers is poor and regressive, and many benefits are status-based instead of needs-based. Furthermore, an adequate mix of social assistance schemes and activation measures is lacking for those who are able to work and ensure some work-related income.

**Low wage levels, especially in the private sector, result in poor living conditions and in-work poverty, while high labour tax burdens exacerbate this issue.** The real growth of the net salary has been negligible during the past decade. Two average net salaries are below the level of the

expenditure needed to satisfy the needs of a four-member family. Many households live in in-work poverty. Furthermore, high labour tax burdens negatively affect take-home earnings, while low-wage earners are at a disadvantage due to the low progressivity of labour taxation. Although the issue of low salaries is a complex one and requires a comprehensive policy response, the tax wedge can be reduced, and progressivity achieved with less effort. Still, little has been done to ensure better progressivity of labour taxation. Furthermore, while labour tax burdens were slightly reduced in RS during the previous decade, nothing has changed in the FBiH.

**Workers' rights are well-protected in many domains, but occupational health and safety is at worryingly low levels.** The fatal accident incidence rate is notably higher than the EU-28 average and the number of serious injuries at work is alarming. This indicates the insufficient capacity of the labour inspectorates to address this challenge and a weak policy framework in the OSH area – the former is especially relevant in the case of FBiH, where the existing Law on Safety at Work is outdated and represents the main stumbling stone for ensuring an adequate level of OSH protection.

**Finally, tripartite social dialogue is weak in BiH, leaving less room for coordination of policy efforts and achieving the best balance between the interests of the social partners.** The role of the social partners is usually limited to collective bargaining, monitoring and consultation on policies concerning workers and employers, while the involvement of social partners in the implementation of policies is usually lacking. Furthermore, the internal analytical capacities of the social partners are weak, preventing them from proposing evidence-based policy solutions or reacting to the proposed policies in an informed manner.

**Preschool education coverage appears to be improving, but it is still meagre.** Vital statistics record decreasing birth rates and every year a lower number of preschool-age children need preschool education. Exceptions are large urban centres, where there are not a sufficient number of kindergarten places, which results in many children being left outside of the childcare. Also, the introduction of preparatory preschool education has increased the number of children in preschool education, positively affecting the coverage rates in recent years. However, it is questionable to what extent these efforts have assisted working parents in reconciling work and family responsibilities. The main limiting factor remains the unavailability of services in the vicinity. However, where they are available, the main obstacles are the costs and a limited number of places, especially in large centres.

**The total social protection expenditure in BiH is below the EU average and the status-based system of social protection in both entities leaves many excluded.** Furthermore, around three-fourths of the receipts for financing social protection in BiH come from mandatory contributions, which is an earmarked revenue of social insurance funds. Because of the low employment rates and widespread labour market informalities, many people do not have access to the benefits of social insurance schemes. On the other hand, social assistance expenditure is mainly targeted towards war veterans, while a very small share is allocated for means-tested benefits (some child benefits and means-tested social assistance). Finally, social services for children, persons with disabilities and all other social groups in need are underdeveloped and poorly supplied. As a result, the social protection system in BiH has not been effective in reducing poverty.

**Having in mind all the above, the eight key policy areas, which should be prioritised in the short-to-medium term, can be outlined as follows:**

- (1) Reform of the education system should be speeded up, focusing on (1.a) aligning vocational and higher education programmes and enrolment policies with industry needs, (1.b) establishing substantial cooperation between education institutions and the private sector, (1.c) ensuring better inclusion of persons with disabilities and Roma in education as well as better retention of women, and (1.d) introducing affordable and accessible non-formal training and retraining options which would stimulate NEETs to improve their skills and reintegrate into the labour market – this should be primarily realised through the public employment services by strengthening the training programmes within the active labour market measures;
- (2) Provision of childcare services should be strengthened and expanded to ensure that (a) capacities of childcare institutions are sufficient to absorb all children and (b) to stimulate a further increase in the rate of children covered by preschool education and upbringing services by ensuring better access to people from rural areas and poor families. Considering that the number of childcare institutions is also on the rise, but at an insufficient pace, innovative policy solutions (e.g. measures that would stimulate in-company childcare, promote cooperation between private companies and kindergartens in terms of expanding their capacities, etc.) should be considered;
- (3) “Activation” of employment intermediation services through (2.a) improved linkages between registering, counselling and ALMP services, (2.b) improved quality of counselling services and (2.c) personalisation of ALMP targeting, meaning that participation in ALMP programmes should be an integral part of individual career guiding and counselling efforts, instead of being a separate measure as is the case now. To create better institutional preconditions for quality provision of LMP services and measures, the FBiH should separate administering health insurance for the unemployed from PES, as it was done in RS in January 2020.
- (4) Reform of the social protection system in a way that social transfers are (3.a) more universal and needs-based, rather than status-based and discriminatory and (3.b) once reformed, better integrate social assistance schemes with ALMPs;
- (5) Labour taxation should be improved: (4.a) the tax wedge should be reduced, especially and urgently in the FBiH, and harmonized throughout BiH, while (4.b) taxation should be more progressive to reduce labour tax burdens on low-wage earners at the cost of higher-wage earners, thus reducing existing disincentives for formal employment;
- (6) Lowering of contribution rates and reducing the tax wedge requires in parallel a reform and rethinking of systems of social insurance in order to make them more universal and inclusive. This would require their reorganisation and higher reliance on budget financing.
- (7) The economy needs investing and developing affordable and accessible social services, not limited to persons with disabilities, children, and families. Long-term care and housing

assistance for the homeless should also be prioritised as these are now almost completely missing.

- (8) Occupational health and safety should be improved through (5.a) strengthening the capacity of labour inspectorates and (5.b) improving the legal framework – in that sense, the new FBiH Law on Safety at Work should be adopted without further delays.
- (9) In addition, social dialogue should be actively and permanently promoted through expanding the competences of the economic and social councils (e.g. better involvement in policy enforcement) and strengthening the internal capacities of the social partners, especially in analytics.

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**Table—Assessment of the key Social Scoreboard indicators**

| Area  | Indicator  | Brief description of the trend in comparison to the EU average   |
|---|--|--|
| Equal opportunities and access to the labour market | Early leavers from education and training (% of the population aged 18-24) | <b>Better than the EU average but without substantial improvements recently.</b> According to the latest available data (2016), early leavers consisted 4.9% of the population aged 18-24, notably below the EU average of 10.7% for the same year. Recent gender-specific data shows that this rate was higher among men (5.6%) than among women (5.2%) in 2018. The rate increased for both genders compared to 2017, by 0.3 percentage points and 0.4 percentage points, respectively.  |
|   | Gender employment gap  | <b>Worse than the EU average and without improvements recently.</b> The gender employment gap was 19.1 percentage points for the 15+ age cohort in 2018, by 0.8 percentage points higher than in 2017. The gap was 23.7 percentage points for the 20-64 age cohort in 2018, notably above the EU average of 11.6 percentage points (20-64) for the same year. Furthermore, the gap narrowed slightly in 2019, being 17.9 percentage points for the 15+ age cohort and 23.6 percentage points for the 20-64 age cohort, i.e. decreasing by 1.2 percentage points and 0.1 percentage points, respectively. |
|   | Income quintile ratio (S80/S20)  | <b>Worse than in the EU; however, fully comparable official data is not available, considering that the process of conducting EU-SILC has not been completed.</b> The HBS expenditure-based S80/S20 ratio was 4.9 in BiH in 2015 (latest available data), while the income-based S80/S20 ratio was estimated to 20.2 for the same year. On the other side, the average income quintile ratio in the EU was 5.2 during the period 2014-2016.  |
|   | At the risk of poverty or social exclusion (in %)                          | <b>Worse than in the EU; however, fully comparable official data is not available, considering that the process of conducting EU-SILC has not been completed.</b> The HBS expenditure-based poverty rate was 16.9% in BiH in 2015. When it comes to poverty based on income, it is estimated that around 25.5% of households live in poverty, while the average SILC-based rate in the EU was 23.8% in the same year.  |
|   | Youth NEET (% of the total population aged 15-24)                          | <b>Worse than the EU average but modestly improving.</b> NEETs rate (15-24) was 22.1% in BiH in 2018, notably above the EU average of 10.5% in the same year. During the period 2015-2018, the rate has dropped by 6 percentage points; the rate further decreased to 21.2% in 2019. The NEET rate was   |

|  |   |   |
|--|---|---|
|  |   | higher among men (22.6%), than among women (21.7%) in 2018.   |
| Dynamic labour markets and fair working conditions | Employment rate (% of the population aged 20-64)                      | <b>Worse than the EU average but modestly improving.</b> LFS employment rate (20-64) was 47.7% in BiH in 2018, notably below the EU average of 73.2% in the same year. It rose to 49.7% in 2019, meaning that the employment rate has increased by 6.5 percentage points during the five-year period from 2015 to 2019.   |
|  | Unemployment rate (% of the population aged 15-74)                    | <b>Worse than the EU average but improving.</b> The LFS unemployment rate (15-74) was 15.9% in BiH in 2019, notably above the EU average of 6.4% in the same year. The unemployment rate (15-74) was higher for women (19%) than for men (13.8%). It dropped by 12 percentage points during the five-year period from 2015 to 2019.   |
|  | Long term unemployment  | <b>Worse than the EU average but modestly improving.</b> The LFS long-term unemployment rate was 15.2% in BiH in 2018, notably above the EU average of 2.9% in the same year. The long-term unemployment rate decreased by 7.4 percentage points during the four-year period from 2015 to 2018. The share of long-term unemployment in the total unemployment is extremely high and persistent: 76% of the unemployed were looking for a job for 12 months or longer in 2019, while almost half of them are unemployed for 5 years or more. However, it represents a notable change compared to 2018, when the share was 82.3%. |
|  | GDHI per capita index   | <b>Data is not available.</b>   |
| Social protection and inclusion                    | Impact of social transfers (other than pensions) on poverty reduction | Official estimates are not available, because the poverty measurement is based on consumption data. However, independent research estimates on the 2015 HBS income data suggest that all social transfers reduce the incidence of poverty by 9.16 percentage points.  |
|  | Children aged less than 3 years in formal childcare                   | <b>Worse than the EU average, with negligible improvements recently.</b> Based on the official ASBiH Education Statistics and vital statistics data, it is estimated that around 6.3% of children aged less than 3 years were enrolled in formal childcare in 2018/2019, which is notably below the EU average of 35.1% in 2018. The increase in coverage by 2.1 percentage points during the period 2015-2018 pertains to a nominal increase in the number of children age 0-2 attending crèches by 1,912, and an overall decrease in the number of children that age due to a decrease in birth rates.                        |
|  | Self-reported   | <b>Worse than the EU average, the trend is unknown.</b> In  |

|  |                                      |  |
|--|--------------------------------------|--|
|  | unmet need for medical care          | that sense, the HBS-based rate of self-reported unmet need for medical care in BiH was 5.1% in 2015 (6.1% in the FBiH and 3.2% in RS), above the EU average of 3.2% for the same year.                                 |
|  | Individuals' level of digital skills | <b>Worse than the EU average, the trend is unknown.</b> Only 24% of the population aged 16-74 had basic or above basic overall digital skills in 2019. It is notably below the EU-28 average of 58% for the same year. |