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Active Labour Market Policies in BiH: Why More Attention Should be Paid to Training Programmes

1. Introduction

Active labour market policies (ALMPs)¹ in Bosnia and Herzegovina (BiH) are underdeveloped. Public spending on ALMPs is low; in 2014 it amounted to 0.15% of the country's GDP, whilst EU countries on average spend around 0.45% of GDP² on active measures. In addition, ALMPs have a tertiary importance in the prioritisation of spending on employment measures, and are mostly financed from the funds of public employment services (PES) left over after operative costs and costs of passive measures³ have been met. The labour force coverage rate of ALMPs is only 1%, whereas, by way of comparison, it amounts to around 4%⁴ in the OECD countries for which data are available. The existing analyses also indicate that these programmes often inadequately target population categories which have greater chances of finding employment (young university-educated people, etc.).⁵ Furthermore, the capacities of PESs are insufficient, which lowers the chances of adequate implementation of ALMPs.⁶ Finally, a unified methodology and mechanisms for systemic evaluation of these programmes have not been established by the PESs in the recent period.

In addition to the aforementioned problems regarding the development and implementation of ALMPs, the existing design of active policies could also be called into question, if international trends in the field and the local socioeconomic context are taken into consideration. The existing ALMPs are a set of isolated interventions on the labour market primarily intended directly to employ target groups as a stopgap measure to manage some of the pressing issues arising from the present socioeconomic circumstances in BiH. However, they include very little investment in human resources and bolstering the competitiveness of jobseekers, although such investment would, in the long run, improve the functioning of the labour market.

¹ Active Labour Market policies (ALMPs) can be defined as a set of economic measures aimed to employ jobseekers. These measures predominantly have to do with training, provision of support in finding work, subsidies for employment and self-employment, and job creation (mostly in the public sector or through so-called public works). More in: Lars Calmfors, "Active Labor Market Policy and Unemployment – A Framework for the Analysis of Crucial Design Features", *OECD Economic Studies*, no. 22 (1994), p. 8, <https://goo.gl/d7GM5S> (accessed on 14 August 2016); Veronica Escudero, *Are Active Labour Market Policies Effective in Activating and Integrating Low-Skilled Individuals? An International Comparison* (Geneva: International Labour Office, 2015), <http://goo.gl/vjr03d> (accessed on 14 August 2016); and Mirna Jusić and Amar Numanović, *Flexible Labour in Inflexible Environment: Reforms of Labour Market Institutions in Bosnia and Herzegovina in Comparative Perspective* (Sarajevo: Analitika – Center for Social Research, 2015), <http://goo.gl/c1fIKn> (accessed on 14 August 2016).

² The EU data pertain to the year 2011, but, according to the author's approximate calculations, in the following three years there were no significant changes in public spending on ALMPs in the EU. Data taken from: Viljem Spruk, *Statistical Bulletin No. 5* (Ljubljana: Employment Service of Slovenia, 2015), <http://goo.gl/6qxAC5> (accessed on 14 August 2016); and "Labor Market Policy", EUROSTAT, <http://goo.gl/yHnkAJ> (accessed on 14 August 2016).

³ See Jusić and Numanović, *Flexible Labour in Inflexible Environment*, pp. 81-85.

⁴ Author's approximate calculation based on data from Spruk, *Statistical Bulletin No. 5*, p. 67; and "Public Expenditure and Participant Stocks on LMP", OECD Stat, <https://goo.gl/4lpqxy> (accessed on 14 August 2016), (unpondered OECD average). BiH data pertain to the year 2014, while the OECD data pertain to 2013.

⁵ Council of Ministers of BiH, *Employment Strategy in BiH 2010-2014* (Council of Ministers of BiH, 2010), <https://goo.gl/v1IHxD> (accessed on 14 August 2016).

⁶ Jusić and Numanović, *Flexible Labour in Inflexible Environment*, pp. 81-85.

2. ALMPs and International Trends: Bolstering Jobseekers' Employability

In the last two decades there has been substantial progress, in developed and developing countries alike, in the application of ALMPs, as well as a fundamental paradigm shift in relation to their application in the 1970s and 1980s. Back then, active measures were mostly orientated towards direct employment.⁷ In 1990s, however, there has been an “activation turn” in the discourse about employment policies, whereby focus increasingly shifted to the stimulation of active job seeking and improving the jobseekers' competitiveness on the labour market.⁸ Although at first attempts had been made to shift the focus from passive to active employment measures, practice showed that the combination of these two approaches yielded optimal results, seeing that active job seeking was accompanied by income security and other rights and services for jobseekers.

In other words, contemporary ALMPs are mostly based on activating jobseekers by supporting active job seeking and investment in development and preservation of skills in the labour force through training, additional training and retraining programmes, and other educational measures. The focus of ALMPs is thus on strengthening jobseekers' employability by increasing their competitiveness on the labour market.⁹ This approach, which is a key part of EU social policies, promotes long-term investment in the development of human resources and productive labour force, and therefore also a long-term approach to improving the labour market by solving some of the major problems such as growing structural imbalances between supply and demand on the EU labour markets. Therefore, training and similar programmes of vocational improvement and skill development for jobseekers may be considered key measures of contemporary ALMPs. In the EU countries, more than one quarter of ALMPs expenditure is earmarked for training and other educational measures.¹⁰

3. Active Labour Market Policies in BiH: Underdeveloped Training Programmes

Investment in human resources through ALMPs programmes is a neglected potential of employment policies in BiH. Although the country has ratified International Labour Organisation's (ILO) Convention C142 on human resources development, which, amongst other things, foresees the development of informal vocational training, education and improvement programmes which should be closely linked with employment policies,¹¹ ALMPs in BiH are still orientated towards direct employment and partial offsetting of the high unemployment rates.

The existing ALMPs are thus dominated by employment and self-employment co-financing schemes (subsidies for the employees' remuneration and/or benefits).¹² In that regard, the existing ALMP portfolio mostly attempts to address the problems of cyclic unemployment by “job leasing”, while the

⁷ Giuliano Bonoli, *The Political Economy of Active Labour Market Policy* (Edinburgh: Dissemination and Dialogue Centre, 2010), <http://goo.gl/MBJyU3> (accessed on 14 August 2016); and John P. Martin, *Activation and Active Labour Market Policies in OECD Countries: Stylized Facts and Evidence on their Effectiveness* (Bonn: International Labour Organization, 2014), <http://goo.gl/UdX26x> (accessed on 14 August 2016).

⁸ Ibid.

⁹ Ibid.; as well as Jusić and Numanović, *Flexible Labour in Inflexible Environment*, pp. 77-81.

¹⁰ Author's calculation based on data from “Labour Market Policy”.

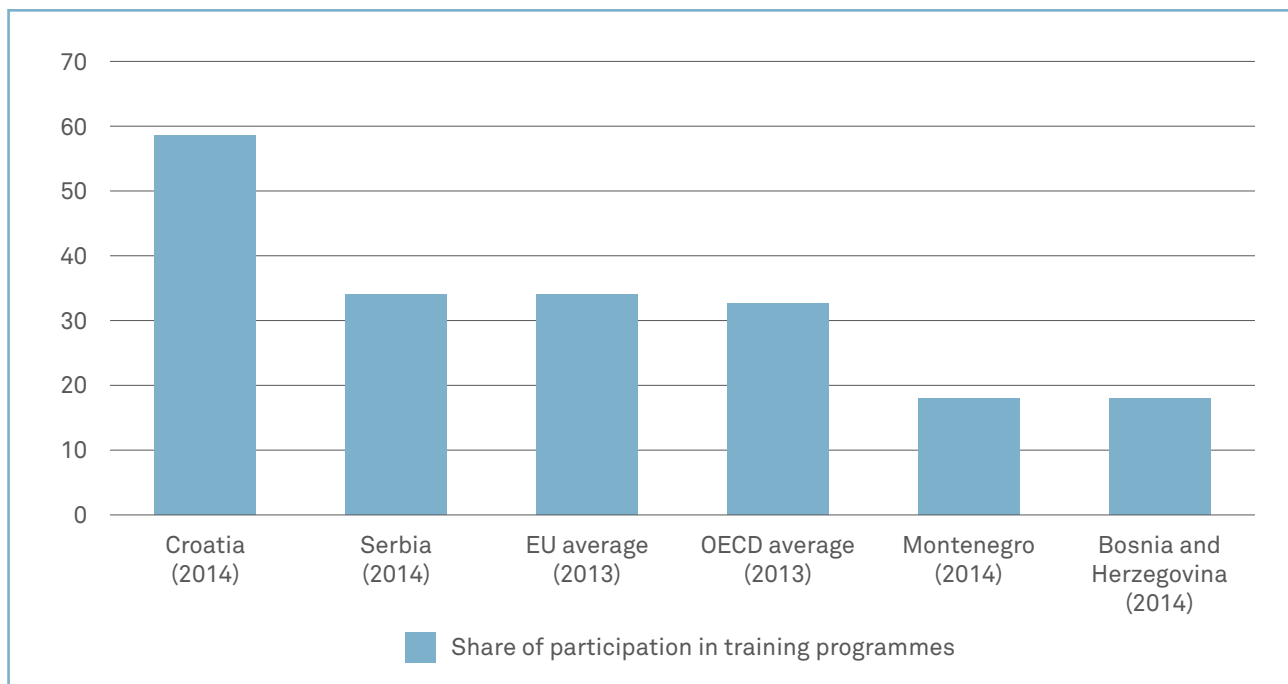
¹¹ See International Labour Organisation, “C142 – Human Resources Development Convention”, 1975 (No. 142), <http://goo.gl/LnMKri> (accessed on 14 August 2016). BiH ratified the Convention on 2 June 1993.

¹² See: Elmira Pašagić, Siniša Marčić and Adis Arapović, *Efikasnost politika zapošljavanja u Bosni i Hercegovini: prepreke i šanse* [Efficiency of Employment Policies in Bosnia and Herzegovina: Obstacles and Opportunities] (Sarajevo: Centri civilnih inicijativa, 2013); Council of Ministers of BiH, *Employment Strategy in Bosnia and Herzegovina 2010-2014*, p. 31; and data from Spruk, *Statistical Bulletin No. 5*, p. 67.

potentials of such measures for solving the problem of structural unemployment are minimal and of secondary importance.

On the other hand, training, skills improvement and career reorientation programmes which could contribute to the strengthening of competitiveness or better positioning of jobseekers on the labour market are underrepresented in the existing employment policies. For instance, according to data from 2014, training and improvement programmes accounted for somewhat less than 1/5 of the ALMP programmes, whereas in the EU and OECD countries, on average, the share is around 1/3.¹³

Graph 3.1. Share of participation in training programmes in total participation in ALMPs (%): Balkan region, OECD, EU.¹⁴



Source: Author’s approximate calculation based on the data of the Centre of Public Employment Services of Southeast European Countries, EUROSTAT and OECD Stat.¹⁵

In addition, it is considered that the existing infrastructure and capacities for the implementation of these programmes are underdeveloped and insufficient.¹⁶ All of this indicates that not enough attention has been paid to these measures in the recent period, although combined with adequate support to active job seeking (career guidance, individual employment plans, etc.) they could help reduce structural unemployment and increase labour productivity in BiH.

¹³ Data taken from Spruk, *Statistical Bulletin No. 5*, p. 45 and the author’s approximate calculation (unpondered average) based on data from “Public Expenditure and Participant Stocks on LMP: Participants Stocks on LMP by Main Categories (% Labour Force)”, OECD Stat, <http://stats.oecd.org/index.aspx?queryid=28937> (accessed on 14 August 2016); and “Participants in Labour Market Policy Measures, by Type of Action”, EUROSTAT, <http://goo.gl/YqdZRJ> (accessed on 14 August 2016).

¹⁴ Seeing that data for all EU and OECD countries are not available, this is author’s rough estimate based on the existing data. Only those Balkan countries for which complete data are available are included.

¹⁵ Ibid.

¹⁶ See Pašagić, Marčić and Arapović, *Efficiency of Employment Policies in Bosnia and Herzegovina*; and Jusić and Numanović, *Flexible Labour in Inflexible Environment*, pp. 81-85.

4. Conclusion

The existing ALMPs in BiH are still based on direct employment, instead on strengthening of employability and adaptation of jobseekers to the present labour market conditions. With that in mind, active measures in the existing ALMPs, such as training programmes, are underdeveloped, which hinders the adoption of a strategic approach to investing in human capital of jobseekers.

Therefore, when designing ALMPs in the upcoming period, greater stress should be laid on training programmes aimed to strengthen the competitiveness of jobseekers on the labour market, and, in conjunction with adequate reforms in education, have a positive effect on the reduction of structural unemployment. In addition, adequate career guidance programmes combined with training measures would provide ample opportunity for career reorientation after job loss, which would contribute to the reduction of long-term unemployment. Of course, such redesign of ALMPs would entail building and strengthening the infrastructure and capacities of PESs, as well as more substantial allocation of funding for active measures, to make it possible for such programmes to be adequately implemented and yield desired results.

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