

*Bosna i Hercegovina
Agencija za rad i zapošljavanje
Bosne i Hercegovine
SARAJEVO*

*Bosnia and Herzegovina
Labor and Employment Agency of
Bosnia and Herzegovina
SARAJEVO*



*Босна и Херцеговина
Агенција за рад и запошљавање
Босне и Херцеговине
САРАЈЕВО*

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MIGRATION MANAGEMENT IN THE LABOUR MARKET OF BOSNIA AND HERZEGOVINA

Prague, October 2008

1. OVERVIEW OF THE LABOUR MARKET IN BOSNIA AND HERZEGOVINA

Introduction

Economic situation in Bosnia and Herzegovina is characterized by relative macroeconomic stability and high GDP growth, unaccompanied by adequate employment growth. It has to be kept in mind that the situation in the labour market is influenced by a whole range of elements, such as building of institutional and political frameworks of macroeconomic management, privatization of companies, private sector development, labour market reforms, pension system and social security network. It is important to stress that the real results ensuing from labour market reforms are likely to emerge only in the long-term period. Bosnia and Herzegovina has only recently introduced some of these measures and their effects are probably not likely to be entirely established yet.

*Given the fact that Bosnia and Herzegovina is in the inception phase of the EU Integration Process, and the political process with the EU has been defined through the European Union Stabilization and Association Process, it needs to **adopt adequate priority measures in the field of labour market and social policy which will be harmonized with the EU legal regulations.***

Operation of the labour market in the entire territory of BiH, broader co-operation in the region and, above all, its joining the Euro-Atlantic Integration Processes, is the only way of balancing labour supply and demand in demographic, regional and economic view.

2. MAJOR CHARACTERISTICS OF THE LABOUR MARKET IN BIH

- 1. Labour legislation in BiH is the responsibility of entities (Federation of BiH, Republika Srpska and Brčko District of BiH), aligned with the ILO Conventions and rather liberal, comparable even to developed market economies;*
- 2. Real unemployment is much lower from registered unemployment;*
- 3. Presence of black labour market;*
- 4. Creation of new jobs and job reassignments are low;*
- 5. Labour force mobility and flexibility are low;*
- 6. Private sector is much more dynamic in view of creating new jobs.*

3. EMPLOYMENT AND UNEMPLOYMENT

Registered employment

According to data of the Agency for Statistics of BiH, there were 705,239¹ persons employed by legal entities in BiH in July 2008, of which 276,304 were women. Registered unemployment rate in July 2008 was 40.9%, 0.1 percentage point lower from the one in June, while the unemployment rate according to the LFS carried out in August 2008 is considerably lower from the registered one amounting to 23.4%² at the level of BiH.

Registered unemployment

According to PES data, there were 484,653 registered unemployed persons in Bosnia and Herzegovina on 31 August 2008, which represents a decrease of 0.77% or 3,780 persons in comparison to 31 July 2008.

Table 1 Registered unemployment in BiH/Entities, August 2008

| | <i>Bosnia and Herzegovina</i> | Federation of BiH | Republika Srpska | Brčko District of BiH |
|------------------------------------------|-------------------------------|-------------------|------------------|-----------------------|
| Registered unemployment – 31 August 2008 | 484,653 | 338,111 | 133,827 | 12,715 |
| Registered unemployment – 31 July 2008 | 488,433 | 340,809 | 134,808 | 12,816 |
| Index 31 August 2008/ 31 July 2008 | 99.23 | 99.21 | 99.27 | 99.21 |

4. LEGAL FRAMEWORK FOR EMPLOYMENT OF FOREIGN NATIONALS IN BOSNIA AND HERZEGOVINA

In compliance with the Constitution of Bosnia and Herzegovina, the field of labour and employment, and employment of foreigners accordingly, has been entrusted to the competence of entities which have legally defined this field by special laws.

¹ Agency for Statistics of BiH – Release No. 7 – Employment by activities in July 2008 (provisional data)

² Agency for Statistics of BiH – LFS 2008 (previous data)

Employment of foreign nationals in the Federation of Bosnia and Herzegovina is governed by the "Law on Employment of Foreigners in the Federation of Bosnia and Herzegovina" (Official Gazette of the Federation of BiH, No. 8/9). In Republika Srpska it is governed by the "Law on Employment of Foreign Nationals and Stateless Persons" (Official Gazette of RS No. 97/04), and in the Brčko District of BiH by the "Law on Employment of Foreigners" (Official Gazette of the Brčko District of BiH No. 17/02).

In the Federation of Bosnia and Herzegovina, working permits are issued by Cantonal Employment Services upon approval of the Federal Employment Service, provided that foreign person is already in possession of residence permit in the Federation of BiH and meets other conditions layed down by the law.

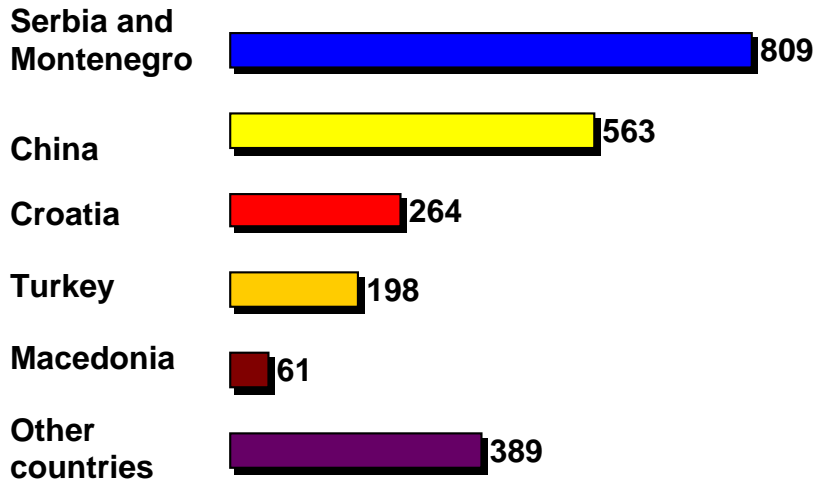
In Republika Srpska, working permits for foreign nationals are issued by the RS Employment Service regional offices responsible for the region of employer's head office, provided that foreign person is in possession of a valid residence permit in the territory of Republika Srpska or Bosnia and Herzegovina, or evidence on possession of a valid business visa and that he/she meets other conditions layed down by the law.

In the Brčko District of BiH, working permits for foreign nationals are issued by Department for Professional and Administrative Affairs in the Government of the Brčko District of BiH.

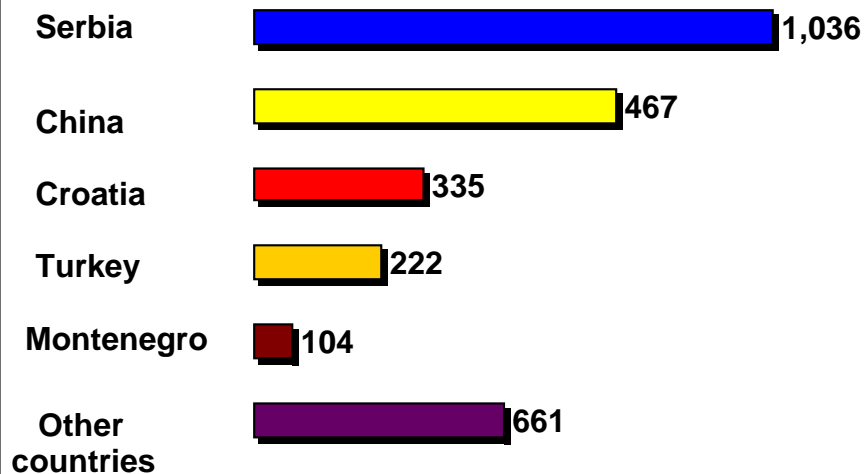
The "Law on Movement and Residence of Foreigners and Asylum", adopted in 2003, governs the procedure and terms and conditions of residence of foreigners for the whole territory of Bosnia and Herzegovina. Modifications and amendments to this Law, which entered in force in May 2008, provide for setting of quotas for working permits issuance in Bosnia and Herzegovina for the coming period. The proposed quota for 2009 is 2,570 working permits, of which the quota aimed at new employment will amount to 825 working permits, and quota for extension of already issued permits will be 1,745.

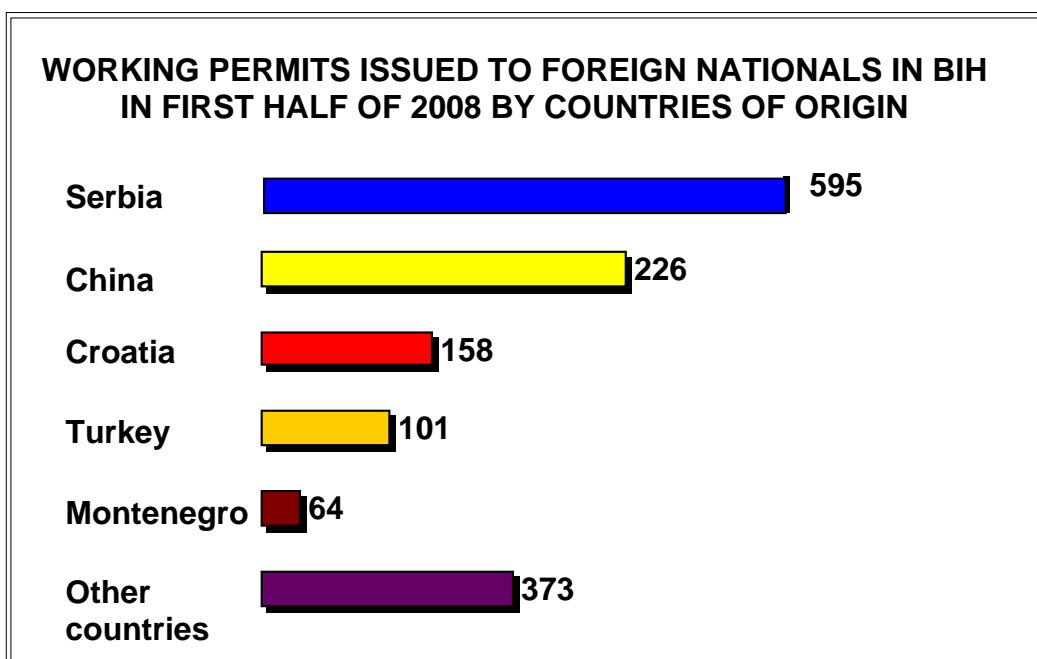
| Table 2 Overview of working permits issued to foreign nationals in Bosnia and Herzegovina for period 2005 – 30 June 2008 | | | | |
|---------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|----------------------------|
| <i>Period</i> | <i>2005</i> | <i>2006</i> | <i>2007</i> | <i>30 June 2008</i> |
| Bosnia and Herzegovina | 2,347 | 2,284 | 2,731 | 1,517 |
| Federation of BiH | 1,551 | 1,358 | 1,495 | 800 |
| Republika Srpska | 365 | 498 | 764 | 494 |
| Brčko District of BiH | 431 | 428 | 472 | 223 |

**WORKING PERMITS ISSUED TO FOREIGN NATIONALS
IN BIH IN 2006 BY COUNTRIES OF ORIGIN**



**WORKING PERMITS ISSUED TO FOREIGN NATIONALS
IN BIH IN 2007 BY COUNTRIES OF ORIGIN**





5. EMPLOYMENT OF NATIONALS OF BOSNIA AND HERZEGOVINA IN OTHER COUNTRIES

The Agency takes particular care of regional co-operation in the field of labour and employment, being one of conditions to be met by Bosnia and Herzegovina on its path towards European Union. In line with the law, the Labour and Employment Agency of Bosnia and Herzegovina is responsible for initiating conclusion and signing of international agreements in the field of labour and employment. Thus, in the previous year and in the beginning of 2008 the Agency made a Draft Proposal of Agreement on Temporary Employment of Workers from Bosnia and Herzegovina in the Republic of Slovenia, Republic of Croatia, Republic of Serbia and Republic of Montenegro already in procedure in the governments of these states.

The signing of mentioned agreements would provide for the following:

- *Increasing employment of workers from Bosnia and Herzegovina in the neighbouring countries,*
- *enhancing labour force mobility,*
- *labour market control and decrease of illicit work,*
- *legal protection of rights of BiH workers working abroad on a fixed-term basis.*

In the previous year the Agency realized exceptionally good co-operation with the Employment Service of the Republic of Slovenia and Association of Employers of the Republic of Slovenia in the field of brokerage and employment of workers from Bosnia and Herzegovina in Slovenia supported by coordination of Entity Employment Services. As a result of exceptionally good co-operation, the signing of "Protocol on Mutual Co-operation" between Association of Employers for Craft Activities of the Republic of Slovenia, Employment Service of the Republic of Slovenia and Labour and Employment Agency of Bosnia and Herzegovina followed in 2007. Employment of workers from Bosnia and Herzegovina in Slovenian companies was agreed in the context of this Protocol.

In March 2008, Labour and Employment Agency of Bosnia and Herzegovina and Employment Service of Montenegro signed the "Protocol on Mutual Co-operation" in the field of labour recruitment. In April 2008, Labour and Employment Agency of Bosnia and Herzegovina signed Co-operation Agreement with Croatian Employment Service which provides for co-operation in priority fields: improvement of PES capacities, provision of services to employers and provision of services to unemployed job seekers.

These Co-operation Protocols are of great importance in promoting labour force mobility in the region and at the same time provisionally provide for legal protection of the rights of BiH workers working abroad pending final signing of inter-state employment agreements between BiH and neighbouring countries.

According to data of BiH employment services, 1436 persons from Bosnia and Herzegovina were recruited by employers in the Republic of Slovenia by December 2007. By 01 October 2008, the Agency received from companies from the Republic of Slovenia, Republic of Croatia and Montenegro the total of 68 requests for recruitment of 1,226 workers from Bosnia and Herzegovina.