



> **205,000** INACTIVE AGE 25-49
 ≈ **200,000** WORKING INFORMALLY

What does the future of the BiH labor market hold

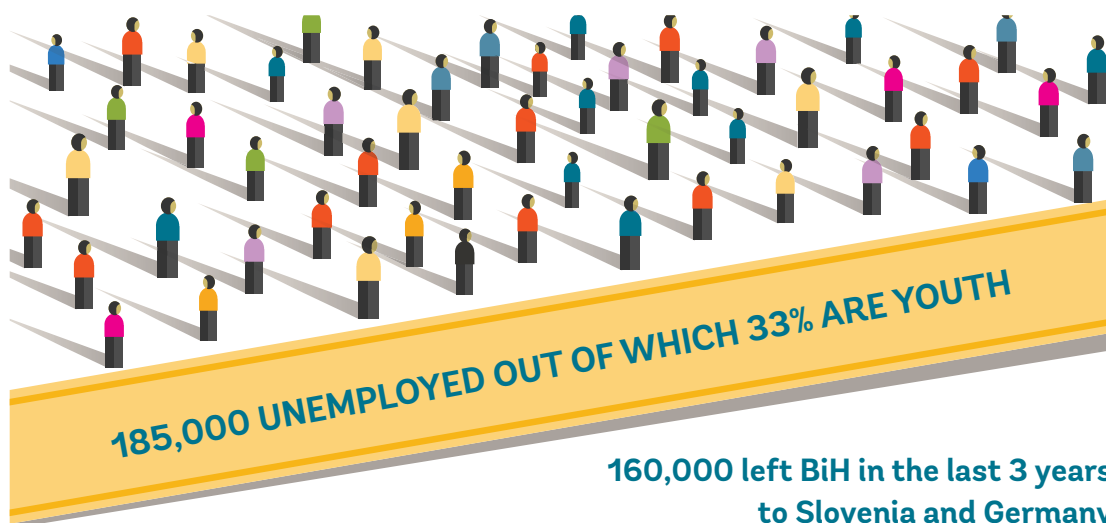
SHOULD I WORK OR SHOULD I GO?

WHAT IS THE ISSUE?

While the BiH unemployment figures are falling over the last few years, this does not necessarily mean good news. The population of BiH is getting older, and many are leaving the country, which means that there are basically fewer people in BiH available for work. That is why the country's inactivity and unemployment rates are still among the highest in Europe. Simultaneously, the labor market and business climate do not motivate youth to stay in the country pursuing entrepreneurial development or innovation. However, the large number of people who don't work and are not looking for a job or do work informally, are both challenges and opportunities for BiH. If unleashed and/or formalized, this potential labor force would benefit all: newly employed people will attain better livelihoods, firms will find needed workers, and the government will see an increase in tax revenue.

WHY DOES IT MATTER?

Human capital is the most important capital of a society. What does it mean? It consists of all the people living in a society and all of their skills, knowledge, capacity, and potential. Bosnia and Herzegovina is literally not using the potential of one-fifth of the working-age population, as almost 400,000 people aged 24-49 are not working or not even looking for a job. If unleashed and motivated, this enormous human capital would motivate youth to stay in the country, contribute to the wellbeing of one whole generation, accelerate economic growth, and attract much-needed investments. Therefore, it is of utmost importance to encourage this human potential in either entrepreneurial pursuit or incentivize formal employment and job creation to increase competitiveness.



HOW CAN THESE BE ADDRESSED?

We at the World Bank recommend the set of three-tier measures to address this strategic issue:

IMPROVING INSTITUTIONAL AND LEGAL FRAMEWORK:

- Adjustments to Management and Information System of Public Employment Services to better understand skills and employability of registered unemployed and tailor employment support.
- Delink delivery of health insurance from unemployment registration to reduce incentives to informality and improve equity in access to benefits through amendments to Intermediation Law, Health Insurance Law, and other administrative changes.

1

ENCOURAGING EMPLOYMENT AND FORMALIZATION:

- Reduction of the tax wedge to remove disincentives to work, informality and encourage employment (i.e. adjustments to Personal Income Tax for low-earners).
- Reduction of the high non-wage portion of wages (i.e., social security contributions).
- Adjustment of the labor code and labor taxes to allow those who hold temporary and/or seasonal jobs to formalize such jobs (i.e., duration of temporary contracts, introduction of social security deductions and benefits, and/or vouchers to be used towards social security contributions for seasonal and temporary workers).
- Revision of unemployment and social benefits to improve incentives for work (i.e., Intermediation / Unemployment Law) and Social Protection Law.

2

ENCOURAGING ENTREPRENEURSHIP AND SELF-EMPLOYMENT

- Reduction of para-fiscal contributions and charges to firms and simplification of business administration to encourage youth and investors to start-up new business and thus increase employment.

3

More about BiH Employment Support Program: <http://wrlld.bg/kbvo30qsQ7Q>

We'd love to hear from you! Please send your queries, comments & suggestions to: BiH@worldbank.org