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# 1 Introduction and background

## 1.1 An introduction to rural employment

Unemployment is the biggest economic and social problem of Bosnia and Herzegovina (B&H) having the same importance in both its rural and urban areas. This is one of the main reasons why B&H is counted into the poorest countries in CEE<sup>1</sup>. According to official statistics, in 2005, 43.4% out of total registered labour force (1,113,103), belonged to the category unemployed, which is the highest reported official unemployment rate in the region.<sup>2</sup>

**Table 1: Registered (Formal) Employment, Unemployment, Labour Force and Unemployment Rates in Bosnia and Herzegovina, 2003-2005**

Indicators	2003	2004	2005
Registered employment	621,820	622,755	630,484
Registered unemployment	437,264	449,681	482,619
Registered labour force	1,059,084	1,072,436	1,113,103
Unemployment rate (%)	40.3	41.9	43.4

**Source:** Labour Force, Employment and Unemployment in B&H, EPRU Working paper No 1, March 2006.

Labour market' analysis in B&H is still faced with serious lack of data, particularly when rural areas are concerned. Labour analysis in this report is based on the research conducted through measurement of living standard (LSMS)<sup>3</sup>, Household Survey Panel Series (HSPS) - "Living in B&H", and on the data that were published for the first time after the war through Labour Market Survey in 2006. UNDP, World Bank and UK Department for International Development significantly participated in these surveys.

Researches mentioned above proved the already known fact that official data on employment and unemployment are not adequate indicators of the actual situation in Bosnia and Herzegovina. That is to say, registered unemployment does not include employment in informal sector<sup>4</sup> which is not negligible at all (see the Table 1 in the annex). This especially refers to the sector of agriculture which is the dominant economic activity in rural areas of the country. According to

<sup>1</sup> The Human Development Index (HDI) for Bosnia and Herzegovina is 0.718 and 27% lower than the EU average (0.914). According to Bisogno and Chong (2002) in Bosnia and Herzegovina 27.3% of the population live below the general poverty line (set at 60% of the median per capita income) and 11.5 under the extremely poverty line (set at 30%).

<sup>2</sup> In 2004 unemployment rates were: Serbia and Montenegro 32.0%, Macedonia 37.2%, Albania 14.4%, Croatia 18.0%, Bulgaria 12.2%, Romania 6.2% (Source: ALDI, The Proposal of Aims for Civil Platform in Bosnia and Herzegovina, Final version, 2006, pg 48.).

<sup>3</sup> A total sample of 5,400 households was determined to be adequate for the needs of the survey: with 2,400 in the Republika Srpska and 3,000 in the Federation of B&H.

<sup>4</sup> To determine formal vs. informal work status in the B&H LSMS, the convention was adjusted. For some workers, it was possible to infer from the questionnaire whether or not their employers were incorporated businesses; those categorized as working in informal employment were all unpaid supporting family members, farmers working on their own farms, and those engaged in similar activities (described as the sale of agricultural and other products, etc). In contrast, formally employed are all workers who worked in incorporated businesses, public enterprises and international organizations. However, for many workers, it was impossible to infer from the questionnaire whether or not their employers are incorporated businesses. These workers were categorized into the formal sector if their pension contributions were paid, and into the informal sector if they were not.

official data, only 3.1% of employees is employed in agriculture, which indicates that this figure includes only those employees employed in former state-owned big firms and cooperatives. Taking into account that private ownership is dominant form of the ownership in agriculture, research indicates that the share of the sector in total employment is much higher, and on the state level it counts 18.1%, and in informal sector even 39.0%.

Indicators of unemployment obtained within mentioned researches differ significantly from official ones as well, (they are smaller by more than two times). Regarding unemployment, it should be emphasized that there is an upward bias, as people employed in the informal sector or people actually not seeking work may register as unemployed in order to receive the benefits to which unemployed are entitled.

**Table 2: Labour Force and Unemployment Rates in Bosnia and Herzegovina according to ILO definition, 2001-2004**

Indicators	2001	2002	2003	2004
Labour force participations rates (%)	52.8	57.4	n/a	59.6
Employment rate (%)	44.3	45.4	n/a	45.4
Unemployment rate (%)	16.1	20.9	19,6	23.8

**Source:** The Household Survey Panel Series (HSPS) - "Living in B&H", for unemployment rate in 2003 ALDI, The Proposal of Aims for Civil Platform in Bosnia and Herzegovina, Final version, 2006, pg 42.

The labour market in B&H still shows certain unfavourable characteristics which can be listed as follows<sup>5</sup>:

- public sector with no sustainable perspectives for growth still dominates in formal sector,
- the highest share of employment comes from informal sector, whose share in employment increased from 37% in 2001, to 42% in 2004,
- unemployment is still high (over 20%) for total labour force, while it is increased by two times and even more for young workers,
- high unemployment of the young population is significantly correlated with low rate of the enrolment into educational institutions which decreases with the increase of the educational level, (only 73% of inhabitants in the age 15-18 enrolled secondary education).

More than a half of B&H' population (56%) lives in its rural areas. Structure of employment as well as the basic characteristics of the labour force are similar to those in the other countries in transition in the region. This means that the age and educational structure of the population is unfavourable to that one from urban areas, unemployment rate of active population is higher, agriculture is dominant economic activity and the share of the tertiary sector in employment is very low.

The situation regarding actual rural (un)employment should be considered in the wider context of the position in which Bosnia and Herzegovina is now: First of all, it is necessary to emphasize massive demographic changes and migrations due to the war<sup>6</sup>, the fact that lot of labour force, particularly educated ones left for abroad, severe war damages of the industrial and other

<sup>5</sup> Report on Labour Market in Bosnia and Herzegovina, World Bank, Report No 32650-BA, 2005.

<sup>6</sup> During the war period as many as 2.3 million people departed, were expelled, exiled abroad, or were killed, declared missing, or died prematurely – and all three ethnics groups (Bosniak, Serbian and Croatian) were heavily affected. Overall, 714,000 people who departed and were expelled remained within Bosnia, million were exiled abroad, and 270,000 people were killed or are missing (source: Living in B&H).

economic capacities, weak and slow privatization process and low level of investment, particularly of foreign ones as the consequence of the poor economic policy as well as of political stability. If we add to this poor social policy without employment programs through budgetary expenditures, and especially poor policy in rural development that began to be shaped only recently together with hard position of agriculture as fundamental economic activity in rural areas due to market liberalization and small-sized and uncompetitive domestic production it is obvious that position of rural population in Bosnia and Herzegovina is very bad.

It should be mentioned in introductory part that migration from countryside to cities that was very intensive during the former Yugoslav time has been stopped or significantly slowed down. Such migrations consequently reduced rural population and lead to abandonment of some rural areas completely. Reasons for the change of this trend should be looked for in poor labour offer in urban areas. Besides, after the privatization process is complete, the new owners want to maximize profit along with minimization of costs, which very often means reduction in the number of employees. This directly affects supply and demand in the labour market. As for the migration from the countryside to the cities which is also characteristic of the countries in transition, they surely take place in B&H as well, but no exact research that would prove them was conducted so far.

## **1.2 Agricultural employment**

Agriculture in the economy of Bosnia and Herzegovina is still one of the most important economic sectors providing food security for a significant part of rural population. A large proportion of labour is in rural areas where agriculture plays crucial role. With job destruction in non-agricultural activities, the war destruction and the associated economic declines, a large proportion of employees in industrial activities have been transferred into unemployment or into (hidden) agricultural and rural unemployment (Bojnec, S., 2005). According to the same source this labour shift into farming is more significant in less developed Central East European countries, as it is the case for Bosnia and Herzegovina without any serious budgetary social transfers or pension system delivering cash flows into rural areas. As unemployment is high, the unemployed are pushed to accept any possible job. As job in Bosnia and Herzegovina are limited, self-employment or hidden employment in the agricultural households has grown rapidly. Ministries of Agriculture in both B&H entities the Republika Srpska and Federation of B&H agree that the number of persons employed in agriculture is much higher than the officially reported 3.1%. According to EPRU's data for 2003, the share of agriculture in total employment in B&H was 18.1%, while the share of agriculture in informal sector was 39.0%.

As for the rural areas of B&H, own calculations based on the data of LSMS (2001) has shown that 34.8% of all employed persons in these areas were employed in agriculture.

Unfortunately, neither general nor agricultural census has been conducted in Bosnia and Herzegovina after the war (the last one was in 1991), which makes any estimations or conclusions on farm structure or agricultural employment in general impossible. Thus, experts and analysts still operate with the pre-war data according to which there are 540.000 family farms with average farm size 3.2 ha. What can be said with certainty is that there were no significant reforms in the last decade that could lead to structural changes which would consequently influence farm employment. Taking in account that state-owned land hasn't been privatized yet, that land market practically does not exist, that state support for farm investment is very modest and symbolic, that there is no selective approach in crediting agricultural sector, it can be said with certainty that no significant structural changes took place in Bosnia and

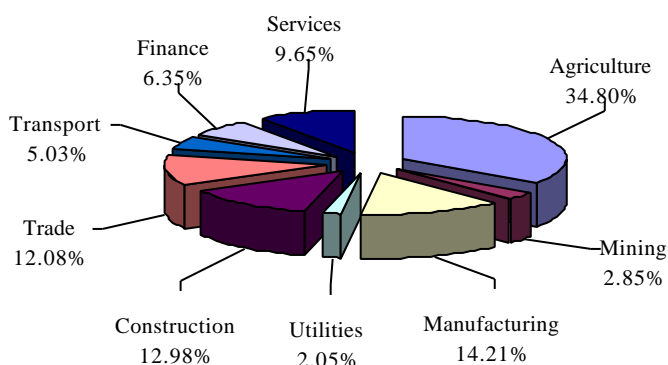
Herzegovina. Therefore, agriculture in Bosnia and Herzegovina still has the task to ensure food security, while only minority of farmers see in agriculture business and profit opportunity.

With further reform processes in B&H economy and until a substantial economic recovery and job creation are achieved, hidden unemployment in agriculture and in rural areas is likely to continue. With a considerable surplus of labour, but providing food safety/security in rural areas, agriculture is the sector important not only for full-time employment, but particularly as a social buffer. This is likely to continue until other job opportunities in non-agricultural activities occur.

### 1.3 Non-agricultural employment

In 2003, in Bosnia and Herzegovina, 194,164 persons or 18.1% out of total employed persons (both in formal and informal sector) were employed in agriculture. The structure of the rural population' employment shows the characteristics of the countries in transition in the region where the majority of rural population is engaged in agriculture. According to LSMS B&H data (2001), every third employee (34.8%) is employed in agriculture. If other economic activities beside agriculture are observed, rural population is also employed in manufacturing (14.21%), construction, (12.98%) and in trade (12.08%). The share of the services in total rural employment is 9.65%, of finances 6.35%, of transport 5.03%, mining 2.85 % and utilities 2.05%.

**Figure 1: The Structure of Rural Employment in Bosnia and Herzegovina by Sector, 2001**

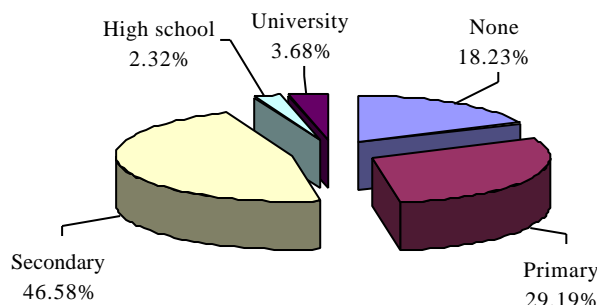


**Source:** Own calculations based on Living Standard Measurement Survey (LSMS) in B&H, 2001.

Such employment structure by economic activity is the consequence, first of all, of gender and educational structure of the rural employed population. In other words, as economic activities with the highest share in employment such as civil engineering, traffic and processing industry to the certain extent, require male labour force and lower levels of education rural labour force get employment easier in these activities than in other ones. Employed rural population is characterized by following very bad educational structure (Figure 2):

- 18.23 % of employed population is with no formal education,
- 29.19 % of employed population has accomplished elementary school,
- 46.58 % has secondary education,
- 2.32% has vocational school education and
- only 3,68% has university degree.

**Figure 2: The Structure of Rural Employment in Bosnia and Herzegovina by Educational Level, 2001**



**Source:** Own calculations based on Living Standard Measurement Survey (LSMS) in B&H, 2001.

Considering the low level of education and reduced employment possibilities for rural population it is obvious that a very high share of rural population find employment possibilities through grey economy. It is also very important to emphasize incomes that rural population get from diaspora as the direct consequence of the war activities and B&H net emigration.<sup>7</sup>

Unfortunately, the lack of quality data in Bosnia and Herzegovina does not allow expert deep analysis of the non-farm rural economy defined as being all those activities associated with wage work or self –employment in income generating activities that are not agricultural but located in rural areas (Davis, J. and Pearce D. 2001, cit. Lanjouw 1999).

## **2 The context of rural employment**

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### **2.1 New employment opportunities**

Problem of rural labour force' employment in Bosnia and Herzegovina, like in other transition countries can be presented at two levels:

- 1) The decrease of the rural population' employment rate and
- 2) Changes in the structure of employment in which agriculture is dominant economic activity.

Both mentioned levels are very closely related with improvement and development of economic and communal infrastructure and social services. Unemployment problem in rural areas is surely also the result of very modest state support as well as of the lack of capital and investment (both domestic and foreign) to start up new production programs and to restructure the undeveloped economy of these regions.

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<sup>7</sup> 5-year (1995-2000) net migration (immigration-emigration) as % of total population was 9.3 in Bosnia and Herzegovina. In 2000 total amount of remittances received (current transfers by migrant workers and wages and salaries earned by non-resident) was 1,147 million USD, or 25.2 % of B&H GDP (source: World Development Indicators, 2005)

Importance of rural development and the need to create possibility for rural employment through agriculture and non-agricultural activities started to draw attention of the current government in both B&H entities only in recent years. Thus, departments of rural development have been established within the ministries of agriculture in both entities. Besides, rural development takes very important place in actual development strategies in both B&H entities along with concept of integral approach. The role of the rural inhabitant in local economy development is foreseen either through farm multifunctionality and income generation from agricultural production, crafts, trade, tourism or from out of farm in non-agricultural activities such as small business, small and medium enterprises, infrastructure, trade, services and so on. It should be emphasized that notion that rural employment' problem should be solved through seeking for employment opportunities out of agriculture is acknowledged on regional (cantonal) level and some of those regions have already done strategies in accordance with this notion.<sup>8</sup> Still, everything has only been declared so far, and realisation and concrete actions are still expected.

In post-war Bosnia and Herzegovina, thanks to numerous donors and projects of World Bank, EBRD and UN several projects have been implemented with aim to employ local rural population. IFAD Project "Livestock and Rural Finance Development" should be mentioned here. This Project is currently being implemented and one of the project's goals, among others is to develop additional and alternative opportunities to generate income out of farming for rural population. Currently, a new World Bank Project, with a budget over 20 million US dollars, is being worked out. The main focus of this Project will be on rural development and rural employment development in Bosnia and Herzegovina.

## **2.2 Education and skills – levels, access and provision**

Educational structure of rural population in Bosnia and Herzegovina is very unfavourable. Data given in the annex of this report show that out of total rural population older than 25, 24.7% of male population have not finished elementary education, which means they have no formal education while 22.12% of them have only elementary education. The highest share in this population has the group with secondary education - accomplished secondary school – (48.40%), while the share of university educated males is only 4.72%. In female rural population as much as 47.5% have no formal education and 26.45% have only elementary education. Only every fifth women older than 25 has finished secondary school, and only 3.95% of them have university degree.

What specially concerns are the data on the level on B&H which show that only 73% of population in the age 15-18 enrolls secondary school, which is far below the average in most of the European countries where the net rate of the enrolment in secondary schools varies from 85% to 95%. Since poverty is more expressed in rural areas, assumption is that negative connotations of this indicator will be even more expressed. Besides, unproportional share (40%) of students that enrol secondary school choose vocational secondary educational programmes that, according to labour market analysis, had the highest unemployment rate<sup>9</sup>, and significantly lower wages than secondary schools with general education<sup>10</sup>.

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<sup>8</sup> Canton Sarajevo has designed Study on rural development in which more than 50 projects was proposed, in order to increase rural employment and enhance rural human capacities.

<sup>9</sup> According to data from public institutions for employment in B&H, out of 252 professions for which education is offered in secondary school, there is demand for only 20% of them (source: Education in the fight against poverty, Ministry of education, science, culture and sport, FB&H, 2002)

<sup>10</sup> Report on Labour Market in Bosnia and Herzegovina, World Bank, Report No 32650-BA, 2005.

One of the main problems in getting employment for younger population is in the fact that employers prefer experience to qualification. This is the consequence of the lack of mechanisms that would stimulate employers to enable young labour force to get experience through voluntary work during or immediately after education.

It is obvious that the current qualification structure (profiles) is not favourable, especially for young population, considering actual demand on labour market. On the other hand there are still no actions at any level that would facilitate change of qualification for unemployed population. So far, actions are reduced to individual programmes financed by both local governments and in greater portion by international governmental and nongovernmental organizations. There are numerous such programmes that could serve as an example, but for this report one of them will be presented.

Macours (2005) in the analysis of the rural labour markets in transition countries states that in some countries, and in B&H among them, targeted training programs can help overcome the human capital disadvantage and its constraints. A particularly interesting success story seems to be the Emergency Demobilization Reintegration project in Bosnia and Herzegovina. This programme combined re-education and training with employment services and had a major impact both on the likelihood of employment, and on wages. Contributing to its success was the emphasis on on-the-job training. Firms were paid to provide this training, and afterwards hired 80% of the trained workers. While being careful about generalizing the project's lesson because of its B&H post-conflict setting, results do suggest that this type of active intervention can be successful in addressing shortage of certain skills and match the interests of employers and potential employees alike.

### **2.3 Other key factors in employment**

Labour market in Bosnia and Herzegovina is burdened with numerous problems. First of all, it is still fragmented and does not ensure mobility of labour force. Actual legislation on work is harmonized with market economy, but, in practice discrimination on ethnic, age or gender basis still sometimes takes place. Political situation also remarkably contributes to insufficient mobility of labour force. On the other hand, inflexibility of the labour force is present as well, It is reflected in very weak mobility from one profession to another. This is the result, first of all, of socialistic practice of educational system not adapted to the needs of labour market and of inflexibility regarding minimum wages. Namely, employers still haven't been adequately included into negotiations about so-called collective agreements, and as a result there are minimum wages that are not stimulating employment of the young, highly productive labour force.

Apart from being rigid in terms of minimal wages, system of wages is burdened with some other payments unknown in market economy (especially in public sector). Payments on the basis of previous work, payments for meals, 'thirteenth salary' and so on are in this category. Payments for previous work significantly reduce labour force mobility. Older labour force, if they once lose their job have less chance to get it again as the employer has duty to give them higher wages on the basis of previous work than they should offer to younger ones, so this category is "forced" to go to informal sector and, thus, contribute to the grey economy in the country<sup>11</sup>.

A special, already mentioned problem is the position of young population on labour market which is characterized with significantly higher unemployment rate and significantly lower

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<sup>11</sup> Mid Term Development Strategy for Bosnia and Herzegovina (2004-2007).

employment rate compared to total working age' population which is specially expressed in rural areas. Since the offer on labour market is poor both in rural and urban regions, increasing number of young population is leaving or intend to leave the country. According to rough estimation of UNDP, 92.000 of young people in the age 15-30 left B&H during the period 1996-2001. All mentioned indicates the urgent need for highly thought out employment programmes for this population category as well as for creation of necessary preconditions for it (training, change of qualification) and much more remarkable allocation of funds<sup>12</sup> for these purposes in order to stop negative trend of brain drain. It is particularly important to solve these issues in rural parts of Bosnia and Herzegovina in certain regions which already have the character of aged communities and are faced with disappearance.

The general situation regarding employment of women in Bosnia and Herzegovina is unsatisfactory. The share of women in total employed population is only around 30%. Situation is surely even worse in rural areas where women still have their traditional role, and after getting married, they are, more or less engaged in housework and raising children. Apart from this, the majority of their working activities are in agriculture. Low level of education and poor qualification structure do not put lot of employment opportunities in front of women. Besides, the share of sectors where women traditionally get employed such as services, trade and finance is very low. Together with generally undeveloped social infrastructure in rural areas all mentioned contributed to high unemployment of female rural population. Gender discrimination still takes place in Bosnia and Herzegovina. According to Helsinki Board Report on Women Rights in 2001, there are lot of obstacles for women to get employed or to start up the business. First of all, women in B&H do not have enough information, there are no access to long term loans for women entrepreneurs as they are not the owners of the property that can serve as collateral for loans, process to register the firm is long and complicated and, in general business environment and laws do not stimulate women to start private business. Only recently, thanks to the work of numerous NGOs, women and gender issue is becoming more actual as well as involvement of women to the work of civil society.

### **3 Specific rural employment issues**

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#### **3.1 The nature of under-employment**

There are, unfortunately, neither statistic data nor studies on under-employment in B&H. But, it can be concluded with high level of certainty that low employment rate in Bosnia and Herzegovina and the gap between the number of newly created working places and the number of graduated people on different levels, bring unemployed persons in B&H into unpleasant situation in which they look for and accept employment on working positions that are out of their professional background and below their educational level. This particularly stands for unemployed persons with university degree. Highly educated young people with university degree can often be found working as waiters, shop assistants, drivers and so they often are officially declared by their employers as part-time workers. This situation is very convenient for grey economy' development with the situation in which employers can get highly educated, underpaid personnel. Such situation causes further problems, as it reduces possibility for less educated persons to get the job, as the employers, of course, rather decide to employ persons with education and skills (knowledge of foreign language, computer skills, driving licence and so on).

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<sup>12</sup> According to ALDI data (2005) in 2004 allocation of fund for employment in private sector was 10.7 million Euro or only 0.15% of B&H GDP.

Of course, these statements refer more to urban areas, but it doesn't mean such situations do not happen in rural ones as well. In the meantime, certain number of persons with higher education, due to the loss of employment or lack of possibility to get it, have recognized in agriculture possibility to generate income. These farmers present potential strength in the sector as they are willing to accept and introduce in practice new knowledge and technologies (organic farming, introduction of varieties, new feeding manner, integral agricultural production etc.) without the burden of traditional practice. Number of such farmer, of course, is not sufficient yet to be able to draw conclusion that serious change in agricultural practice took place in Bosnia and Herzegovina.

### **3.2 The scale of semi-subsistence farming**

There are, unfortunately, no official data on post-war number and the structure of family farms, so the data from the period before the war are still used. According to these data over 85% of the land is under private ownership (over 90% in the Federation and 78% in RS). Over 50% of the family farms are less than 2 ha. These small farms are often further compartmentalized into 7-9 smaller parcels. Although the size of farms actually farmed may be larger, the extent of land fragmentation severely restricts the adoption of more modern agricultural systems. Small-farm cattle production is characterized by small herds and seasonal milk supply. Of the farmers who owned cattle before the war, 60 percent had only one cow, 30 percent had two and less than one percent had five or more cows. Regarding sheep-raising ninety-five percent of sheep production takes place on small, private farms and low-input management systems predominate. Ninety-three percent of pre-war farms had flocks of less than 20 sheep and less than 1 percent had flocks of more than 100. Most income is derived from meat (80 percent) and high-quality cheese (15 percent), for which there is a strong demand on local markets and long-term export potential.

Before the war, more than a half of the farms in Bosnia and Herzegovina (57.3%) did not have agricultural labour force. In addition, 7% of the total farms had labour force older than 60. Therefore, according to this indicator situation was very bad. The share of farms with no labour force differs significantly depending on farm size category. 4/5 of the farms sized less than 1 ha had no labour force, while the share of such farms was only 30% among the farms with more than 10 ha of land. Farms that had labour force mainly had one worker and the lack of the labour force was compensated by engagement of persons actively employed out of the farm or by other family members that were either with own source of income or supported. Significant changes alike those that were experienced by other countries from former Yugoslavia surely took place in Bosnia and Herzegovina as well, but these changes can not be quantified at the moment.

Although there are no valid data that would allow serious analysis of semi-subsistence farming, it can be said with certainty that this form is still dominant in B&H' agriculture. In other words, the greatest number of the farms still has self-sufficiency in food as the priority aim, and only surplus of products is placed on market. In recent years, a certain number of farmers deals with agricultural production on commercial basis, but their number is still low.

### **3.3 The implications of the ‘Lisbon Strategy’**

Accession to EU is strategic goal of Bosnia and Herzegovina and B&H aspirations to become member of EU are based upon wide political consensus. After Feasibility Study and implementation of Program for realization of 16 priority fields, Bosnia and Herzegovina is in the stage in which it has to define its further path towards EU through strategic documents. In that sense, it is necessary to define strategic orientation of Bosnia and Herzegovina that would include three complementary goals of Lisbon Strategy from 2000 that understand:

1. full employment,
2. quality and productivity of work and
3. social cohesion and integrity.

Taking into account actual situation and reality on B&H’ labour market, it surely won’t be able to meet mentioned goals in near future. But, getting close to set goals and creation of positive atmosphere for their achievement is something that Bosnia and Herzegovina has already started to work on given the document under the title The Medium-Term Development Strategy of Bosnia and Herzegovina (MTDS) for 2004–07 has already been done. In this document, among the most important priority activities and measures aimed to reform labour market following ones are mentioned:

- to strengthen economic space, that is, to reduce market fragmentation in Bosnia and Herzegovina ,
- to conduct the reform of education and promote vocational and life-long education,
- to eliminate all kinds of discrimination with regard to getting employment,
- to stimulate labour force mobility,
- to enhance control of privileges on the basis of unemployment,
- to enhance institutional framework and control over the work of institutes of employment and
- to stimulate activities aimed to reduce grey economy.

## **4 Overview and prospects**

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Rural areas in Bosnia and Herzegovina, in which more than a half (56%) of total B&H population live face numerous economic and social problems. One of the most expressive and serious one among them is, of course, unemployment. This problem is the result of some known reasons such as poor age and educational structure, bad infrastructure, but also of some specific ones that emerged as consequences of war activities such as massive demographic changes and severe reduction of production capacities due to war damage. Like in the most of transition countries, agriculture in Bosnia and Herzegovina is one of the leading activities that employs more than one third of rural labour force. The role of the sector is, first of all, to ensure food security.

Strong rural communities are essential for future political and economic stability and will not emerge without balanced support for both farm and non-farm income generation, and full access to high quality health and education.

Encouraging fact is that rural development and the need to improve rural employment through agriculture and non-agricultural activities managed to draw attention of governments in both B&H entities as departments for rural development has been established within both ministries of

agriculture. Besides, rural development, the concept of integral approach and the rural inhabitant as active participant in local economy' development take very important place in strategies for agricultural sector' development in both the Republika Srpska and Federation of Bosnia and Herzegovina. Concerning fact is that funds intended for these purposes are rather modest which indicates that rural development in B&H will in future still depend on the presence of international community where EU is expected to take the leading position .

Factors that could influence changes on the rural labour market in Bosnia and Herzegovina in the coming period of time are:

- implementation of strategic orientations that are set in MTDS (Medium Term Development Strategy);
- carrying out the reform of educational system, improvement and modernization of existing professions,
- harmonized development of all regions within the country and harmonization of laws in B&H with EU ones in order to create better conditions for foreign capital investment,
- land market and changes in size structure of family farms, and
- changes in structure of farm production.

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Annex

**Table 1: Distribution of Registered, Total and Informal Employment by Sector in Bosnia and Herzegovina, 2003**

Sector	Registered employment	Informal employment	Total employment	Distribution of total employment (%)	Distribution of informal employment (%)
Agriculture	19,348	174,816	194,164	18.1	39.0
Mining	19,738	15,661	35,400	3.3	3.5
Manufacturing	148,601	53,072	201,673	18.8	11.8
Utilities	23,983	4,979	28,963	2.7	1.1
Construction	36,518	77,191	113,709	10.6	17.2
Trade	121,256	52,526	173,782	16.2	11.7
Transport	43,238	22,197	65,436	6.1	5.0
Finance	25,262	1,555	26,818	2.5	0.3
Services	186,705	46,077	232,782	21.7	10.3
Total	624,654	448,078	1,072,732	100.0	100.0

**Source:** Labour Force, Employment and Unemployment in B&H, EPRU Working paper No 1, March 2006.

**Table 2: Employment by Sector and Age Group in Bosnia and Herezgovina, 2001**

Sector	Age groups			Total
	19-24	25-49	50-55/60	
Agriculture	18.3	13.0	21.5	15.0
Mining	2.6	3.8	2.7	3.5
Manufacturing	14.3	21.0	23.0	20.7
Utilities	1.8	2.7	2.0	2.5
Construction	10.7	11.2	14.1	11.7
Trade	30.3	14.2	8.1	14.7
Transport	5.0	6.8	5.1	6.3
Finance	6.9	11.6	6.0	10.2
Services	10.1	15.7	17.5	15.4
Total	100.0	100.0	100.0	100.0

**Source:** Labour Force, Employment and Unemployment in B&H, EPRU Working paper No 1, March 2006.

**Table 3: Activity, Employment and Unemployment Rates by Age and Sex Groups in Bosnia and Herzegovina, April 2006**

Age groups	Activity rates <sup>13</sup>	Employment rates <sup>14</sup>	Unemployment rates <sup>15</sup>
		<b>Total</b>	
Total	43.1	29.7	31.1
15 - 24	33.4	12.6	62.3
25 - 49	66.0	46.5	29.5
50 - 64	36.6	30.6	16.4
65 - older	5.6	5.5	2.1
15 - 64	51.3	35.0	31.8
		<b>Male</b>	
Total	56.2	39.9	28.9
15 - 24	40.1	16.0	60.2
25 - 49	81.9	60.0	26.7
50 - 64	53.4	44.3	17.1
65 - older	7.9	7.7	2.8
15 - 64	65.5	46.1	29.5
		<b>Female</b>	
Total	30.8	20.0	34.9
15 - 24	26.3	9.0	65.7
25 - 49	50.0	33.0	34.0
50 - 64	22.1	18.7	15.2
65 - older	3.9	3.8	1.1
15 - 64	37.4	24.0	35.7

**Source:** Labour Force Survey 2006, The Preliminary Data, Agency for Statistics of B&H, First Release, No 1, July 2006.

<sup>13</sup> Activity rate represents the labour force as a percentage of the working age population (= Active persons/Population 15 and older \* 100)

<sup>14</sup> Employment rate represents persons in employment as a percentage of working age population (= Employed persons/Population 15 and older \* 100)

<sup>15</sup> Unemployment rate represents unemployed persons in employment as a percentage of the labour force (= Unemployed persons/Employed + unemployed persons \* 100)

**Table 4: The Structure of the Working Age Population by Educational Attainment and Sex in Bosnia and Herzegovina, April 2006**

Educational level	Labour force		Inactive persons
	Employed persons	Unemployed persons	
		<b>Total</b>	
Total	100.0	100.0	100.0
Primary and less	25.3	25.4	66.9
Secondary	60.6	70.2	30.1
High school and university	14.0	4.4	3.0
		<b>Male</b>	
Total	100.0	100.0	100.0
Primary and less	23.8	26.6	56.4
Secondary	63.7	69.7	37.9
High school and university	12.5	3.7	5.6
		<b>Female</b>	
Total	100.0	100.0	100.0
Primary and less	28.2	23.6	73.1
Secondary	55.0	70.9	25.4
High school and university	16.8	5.4	1.5

**Source:** Labour Force Survey 2006, The Preliminary Data, Agency for Statistics of B&H, First Release, No 1, July 2006.

**Table 5: Percentage Distribution of Rural Population 25 Years and Older by the Level of Education Completed by Sex in Bosnia and Herzegovina**

Level of education completed	Male	Female
None	24.76	47.56
Primary	22.12	26.45
Secondary	48.40	22.04
Tertiary	4.72	3.95

**Source:** Living Standard Measurement Survey (LSMS) in B&H, 2001

**Table 6: Percentage Distribution of Rural Population 25 Years and Older by the Age Group, Sex and Educational Attainment in Bosnia and Herzegovina**

Age group	Male				Female			
	None	Primary	Secondary	Tertiary	None	Primary	Secondary	Tertiary
25 - 29	3.44	27.27	66.33	2.96	2.05	40.66	53.47	3.82
30 - 34	0.99	26.26	70.80	1.95	2.60	49.48	46.07	1.84
35 - 39	4.32	22.46	67.10	5.56	15.16	36.25	37.32	11.27
40 - 44	7.22	28.62	56.52	7.14	25.95	42.21	24.42	7.41
45 - 49	14.36	21.71	59.65	4.29	43.45	27.82	22.56	6.18
50 - 54	27.07	24.17	40.83	7.93	61.57	19.06	15.57	3.80
55 - 59	44.51	22.96	27.33	5.20	76.28	12.43	9.93	1.35
60 and older	63.12	13.64	19.32	3.92	86.22	10.35	2.64	0.79

**Source:** Living Standard Measurement Survey (LSMS) in B&H, 2001