

## **AN ANALYSIS OF PROGRESS IN THE IMPLEMENTATION OF THE EMPLOYMENT STRATEGY OF THE REPUBLIC OF SRPSKA FOR THE 2011-2015 PERIOD**

December 2013

### **Introduction**

The 2011-2015 Employment Strategy of the Republic of Srpska represents the first mid-term strategic and planning document determining the foundations for the development and stimulation of employment in the Republic. During its March 24, 2011 session, the RS National Assembly gave a green light to the Government to implement the “therapy” prescribed in the strategic plan aimed at combating the critical socio-economic problem of massive unemployment. Given that over two years have passed since the approval of the Republic’s most important labor market-related strategic document, GEA Center for Research and Studies – a think tank dealing with public policies in the area of labor and employment – conducted a brief analysis of the progress made thus far in the fulfillment of the Strategy’s goals.

The 2011-2015 Employment Strategy of the Republic of Srpska is based on five strategic goals:

1. Stimulating economic growth, employment and improvements in job quality;
2. Increasing labor productivity and the quality of jobs through the development of human potential;
3. Addressing the imbalance between supply and demand in the RS labor market;
4. Increasing labor market activity by preventing long-term unemployment and inactivity as well as social exclusion and poverty, especially among vulnerable groups;
5. Expanding institutional capacities and stimulating dialogue among key actors impacting employment.

The Strategy also identifies a series of quantitative and qualitative indicators for each of the five strategic goals. The following measurable indicators were determined for monitoring success in the realization of the strategic plan and related action plans:

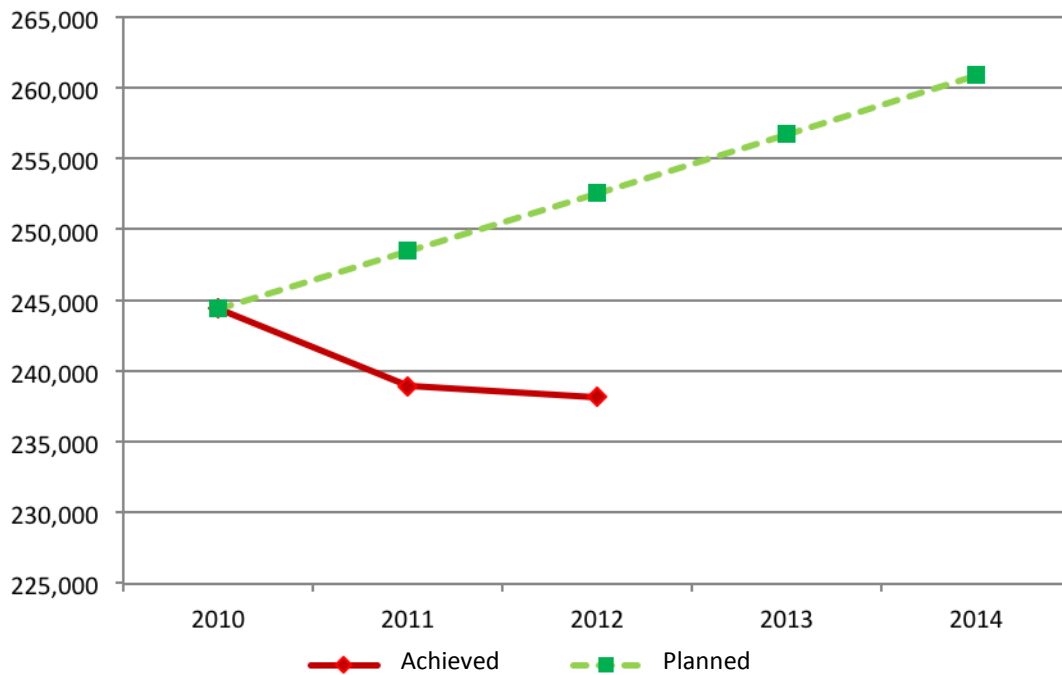
- **8 percentage points growth in the overall employment rate of the Republic of Srpska by the end of the planned period (from 47% in 2009 to 55% in 2015)**
- **8 percentage points growth in the employment of women and persons beyond middle age (from 38% women’s employment in 2009 to 46% in 2015)**
- **2.5 percentage point decrease in the overall unemployment rate**
- **13% decrease in the long-term unemployment rate (from 68% in 2009 to 55% in 2015)**
- **10 percentage point decrease in the overall rate of economic inactivity**

An analysis of progress in the implementation of the strategic plan is provided in the text below, referring specifically to each of the target indicators:

## ACHIEVED RESULTS

### Employment indicators

#### Expected result 1: Total employment rate increase of 8 percentage points



According to the Institute of Statistics of the Republic of Srpska, in 2010 there were 244,453 employed persons, while in 2012 that number declined to 238,178, meaning there was a **decrease in overall employment by 6,000 persons** in comparison with 2010. When compared with 2009, that decrease amounts to 20,000 persons.

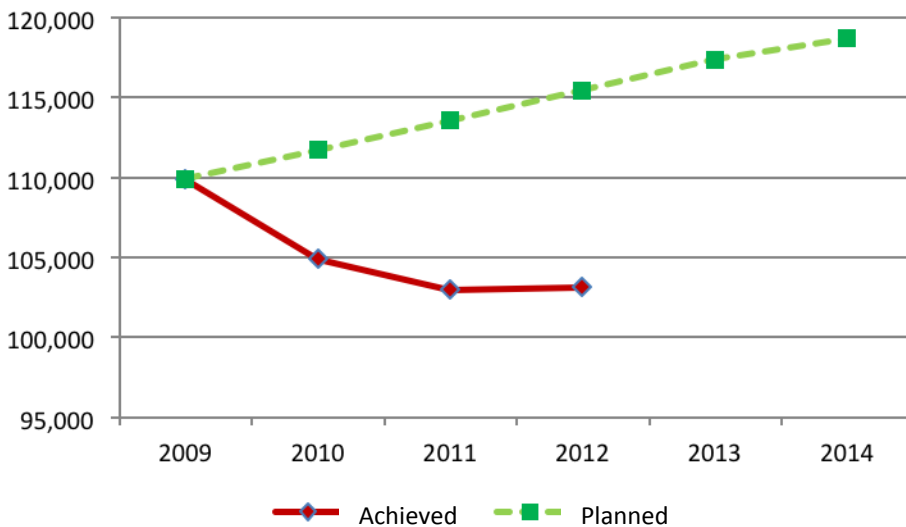
The Labor Force Survey – often considered the most reliable source of information on the labor market situation – has also reported a decrease in the total number of employed persons. According to this source, there were 329,000 employed persons in 2010 in the Republic of Srpska, while in 2012 that number decreased to 311,000 – a **decrease of around 18,000 persons**. What was even more discouraging was the information that the trend in declining employment continued in 2013 as well. The latest (2013) Labor Force Survey states that the total number of employed persons amounted to 308,000.

Unfortunately, these poor employment statistics were followed by negative reports regarding the employment of women. According to the Republic of Srpska's Institute of Statistics, 109,921 women were employed in 2009, while only 103,153 were employed in 2012 – a decrease of 6,500.

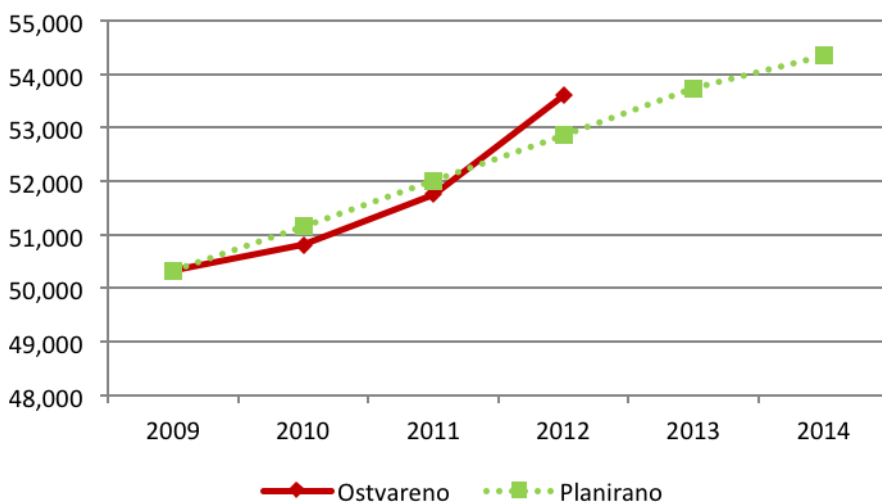
On a more positive note, the number of employed persons beyond middle age – especially those between the ages of 50 and 64 – have increased slightly during this same period. If we take the baseline indicators from 2009 as a reference, there were 50,326 people employed who were between the ages of 50 and 64. In 2010, this number increased slightly to 50,810 in 2010, and to 53,612 in 2012.

Indicators for youth employment (persons below 30) cast a great shadow over this data, however, since the trend points to a steady decline in employment. According to indicators for 2012, the number of young people employed decreased by 9% in 2009, and by 8% in 2010.

**Expected result 2: Women's employment increase of 8 percentage points**



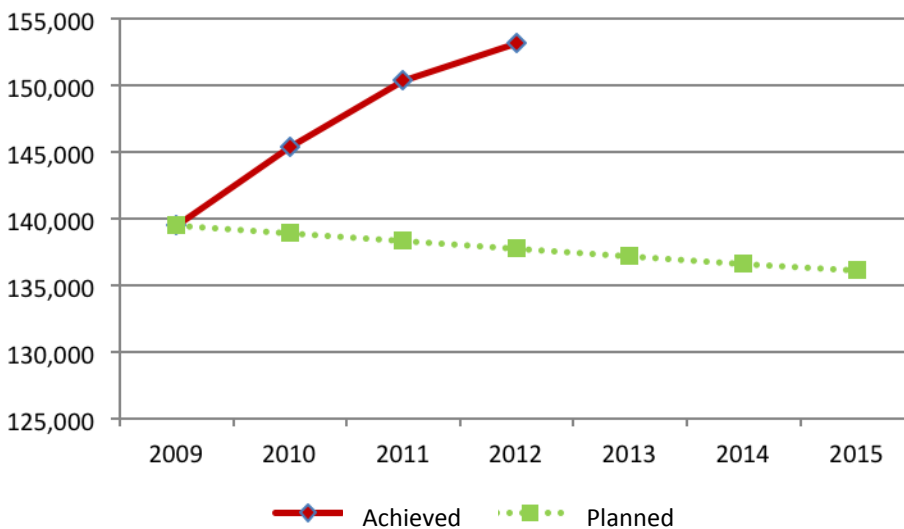
**Expected result 3: Employment increase of 8 percentage points for people beyond age 50**



### Main indicators of unemployment

It should be noted that, during the period from 2009 to 2012, the Republic of Srpska's **overall unemployment rate increased by around 10%**. More precisely, according to the Republic's Institute of Statistics, in 2009 a total of 139,536 unemployed persons were registered by the Institute, while in 2012 that number had increased to 153,225. Similar data can be found in the Labor Force Survey, which puts the number of unemployed persons in 2009 at 94,000, and 107,000 in 2012. Unfortunately, the latest 2013 Labor Force Survey for the Republic of Srpska indicates an even worse rise in the number of unemployed, with the figure reaching 114,000 persons.

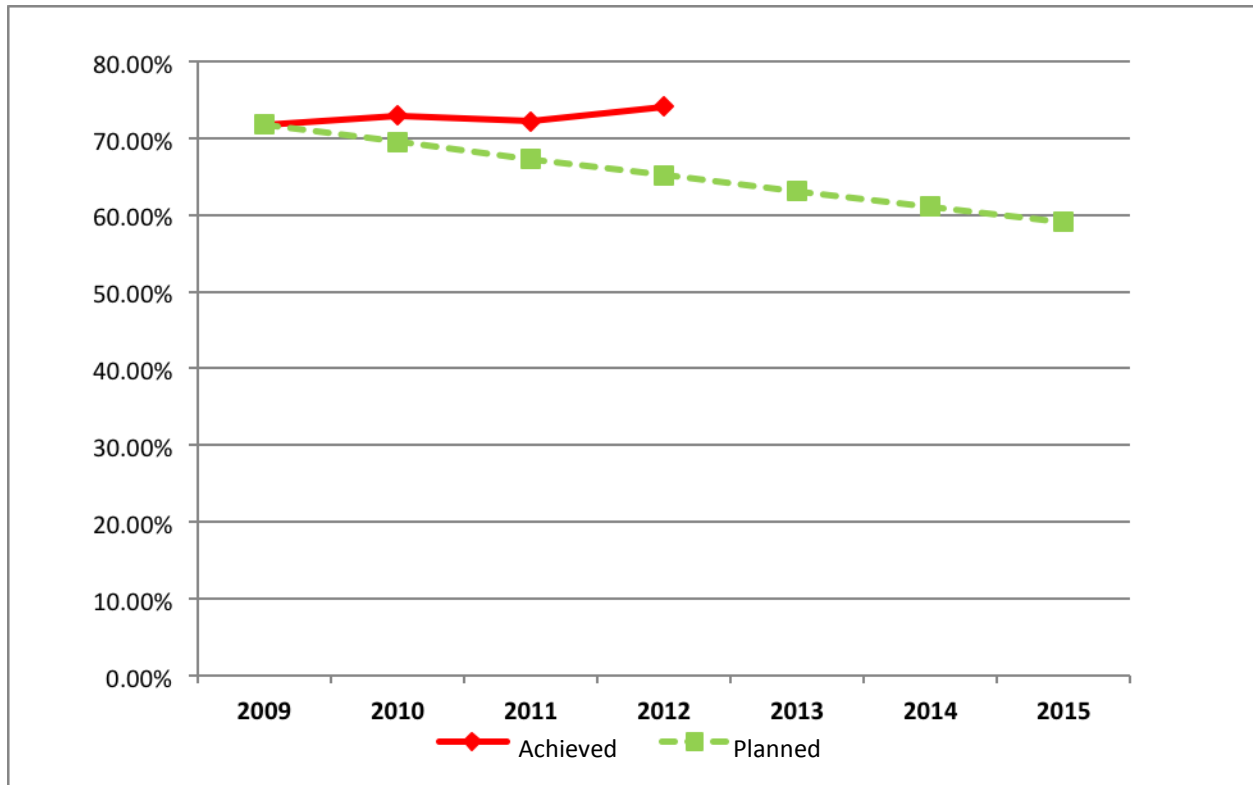
### Expected result 4: Unemployment rate decrease by 2.5 percentage points



Given the high percentage of people in the Republic of Srpska seeking employment for longer than a year, combating the high long-term unemployment rate has also been identified as a key objective in the current Employment Strategy. According to the 2012 Annual Report of the Republic's Employment Bureau, the percentage of persons who had been seeking employment for over a year was an astonishing 74.2% – even more than in 2009 and 2010, when the strategic document was under preparation. Cause for particular concern is the ever-increasing percentage of vulnerable persons seeking employment for over nine years. According to the Republic's Employment Bureau, this category accounted for nearly 14% of the total number of unemployed persons in 2012.

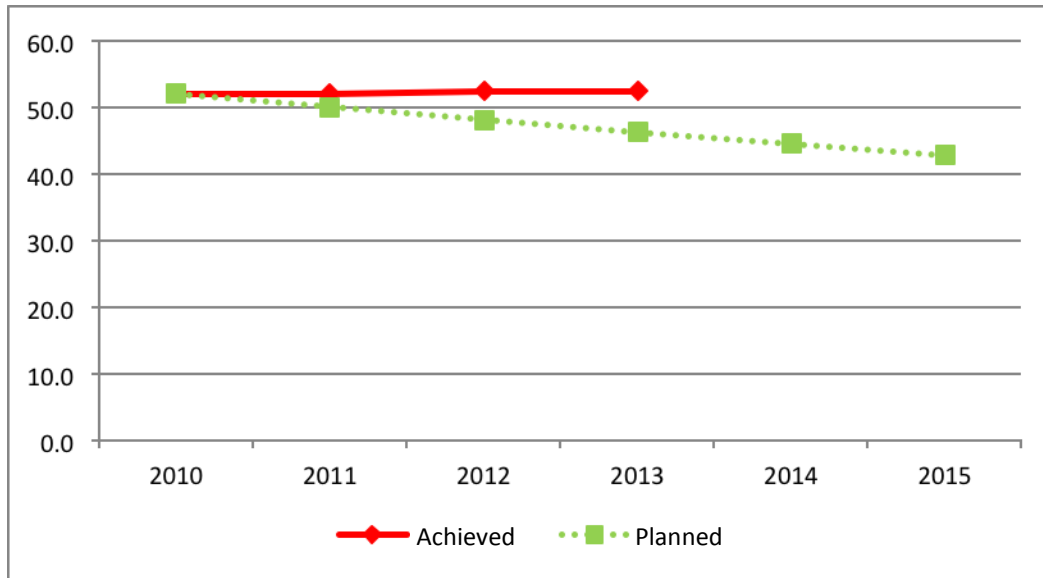
Labor Force Survey data comparing the number of those unemployed for two years and those unemployed two years and more are similarly discouraging. The percentage of those who had been unemployed for more than two years in the Republic of Srpska in 2013 was an incredible 74.8% – up from 69.4% in 2010.

**Expected result 5: Long-term unemployment rate decrease**



**Indicators of economic activity/inactivity.** Finally, when considering the data regarding one of the most serious labor market problems in the Republic of Srpska – the percentage of unemployed persons who are not actively seeking employment, who are ‘inactive’ – again there is bad news. According to the Labor Force Survey, they comprised more than a half or 52.1% of the total number of unemployed persons in 2009, and that percentage remained virtually unchanged in 2012, at 52.6%. Current indicators are therefore not favorable for achieving the desired result of a 10 percentage point decrease by 2015 in the number of unemployed persons who are also not actively seeking work.

**Expected result 6: Decrease by 10 percentage points in the number of inactive persons**



## CONCLUSION

This analysis of key indicators for the labor market of the Republic of Srpska clearly demonstrates that the implementation of the 2011-2015 Employment Strategy has not yielded the desired results. On the contrary, when considering the three most important labor market indicators – the number of the employed, number of the unemployed, and the percentage of inactive persons – the situation in 2013 is worse than it was in 2009 and 2010, when this Employment Strategy was prepared. There are many reasons for this state of affairs, and given the complexity of the labor market, no single institution can or should be singled out and held responsible for such an outcome.

At the same time, closing one's eyes to the growing problem of unemployment in the Republic of Srpska and ignoring the facts highlighting the seriousness of the biggest social and economic problem in the Republic is not a viable approach. In the second half of 2013, the Government of the Republic of Srpska prepared the document *Information on the realization of the 2011-2015 Employment Strategy of the Republic of Srpska for the period of 2011-2012*, which was presented to members of the National Assembly at its 29<sup>th</sup> regular session. This most important strategic document for the labor market of Republic was considered as the 36<sup>th</sup> out of 37 items on the agenda, and did not attract much interest on the part of MPs nor the public. With 49 MPs in favor, one against and 17 abstentions, the National Assembly of accepted the report with the following conclusion: *"After analyzing the overall economic situation in the Republic of Srpska and surrounding regions upon which our economy greatly depends, as well as the measures and activities undertaken by the Government of the Republic of Srpska and other labor market actors aimed at implementing the Employment Strategy of the Republic of Srpska, it can be concluded that, despite extremely strong global recession and economic crisis influences, **"a dramatic deterioration in the area of employment in the Republic of Srpska did not occur."** (!)*

The document concludes: *“Considering the conditions under which the Employment Strategy has been implemented thus far, and the fact that the information it contains relates to a period of less than two years (June 2011-December 2012), we find that there is no need to revise any strategic goals, and that the implementation of the current Strategy via action plans and labor market activities should continue in the following period.”*

Given the analysis elaborated above, we find that directing attention away from internal weaknesses and making excuses based on external economic influences and the global recession is absolutely unacceptable, especially considering that significant reductions in unemployment were not realized even during periods of much more favorable economic conditions (during the period from 2006 to 2008, for example). Such complacent attitudes among the Republic of Srpska’s most important labor market decision makers must change. It is therefore necessary to:

- Revise the Employment Strategy of the Republic of Srpska with concrete data on progress made towards strategic goals based on previously determined target indicators. Present and elaborate on this data in the form of a report and not as simple information.
- Make the revised Employment Strategy available to the public in order to initiate a broader process of consultations and expert dialogue on future directions of action;
- Reconceptualize the strategic objectives included in the Employment Strategy so that they are more realistic given the results achieved thus far. Despite the fact that a detailed and comprehensive analysis of the labor market was performed in 2010 while compiling the current strategy, it is now almost certain that none of the desired target indicators and goals will be achieved. Whether the desired results were not achieved due to overly ambitious goal-setting or inadequate policy measures to combat unemployment should be thoroughly researched. Organize a National Assembly review of the newly revised Employment Strategy to provide MPs with a clearer and broader picture of current labor market tendencies and possible concrete steps to address this serious socio-economic problem.

#### IV Annex: Tables and sources of information

EMPLOYMENT (OFFICIAL DATA)	2009	2010	2011	2012
Total	258 634	244 453	238 956	238 178
Men	148 713	139 554	135 945	135 025

Women	109 921	104 899	103 011	103 153
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Source: Wages, employment and unemployment – Statistic bulletin number 5, second revised edition, Institute of Statistics of the Republic of Srpska, 2013

UNEMPLOYMENT (OFFICIAL DATA)	2009	2010	2011	2012
Total	139 536	145 343	150 344	153 225
Men	73 273	76 735	78 904	79 893
Women	66 263	68 608	71 440	73 332

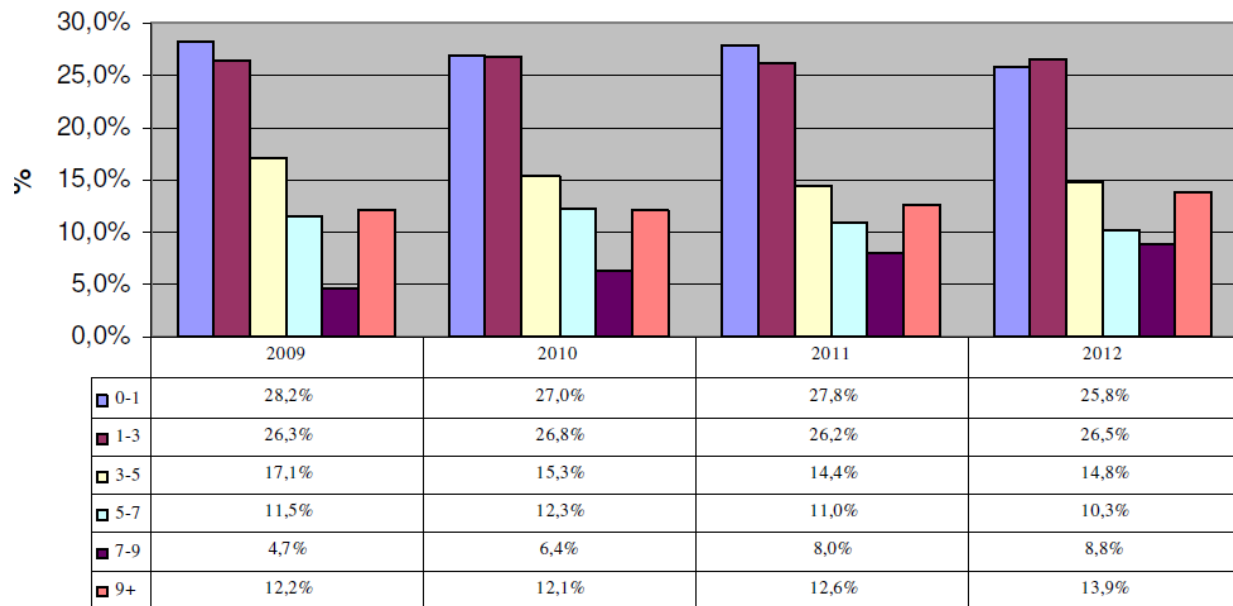
Source: Wages, employment and unemployment – Statistic bulletin number 5, second revised edition, Institute of Statistics of the Republic of Srpska, 2013

LABOR FORCE SURVEY	2009	2010	2011	2012	2013
<i>Employed</i>	345000	329000	324000	311000	308000
<i>Unemployed</i>	94000	102000	105000	107000	114000
<i>Inactive</i>	488000	469000	469000	464000	469000
<i>Unemployment rate (%)</i>	21,4	23,6	24,5	25,6	27
<i>Employment rate (%)</i>	37,2	36,6	36,1	35,3	34,6
<i>Active%</i>	47,4	47,9	47,8	47,4	47,4
<i>Inactive %</i>		52,1	52,2	52,6	52,6

Source: Labor Force Survey number 03, 04, 05 and 06, Institute of Statistics of the Republic of Srpska

Figure: Time spent waiting for a job in 2012 while registered with the Employment Bureau of the Republic of Srpska





Source: Report on the Work of the Employment Bureau of RS for 2012