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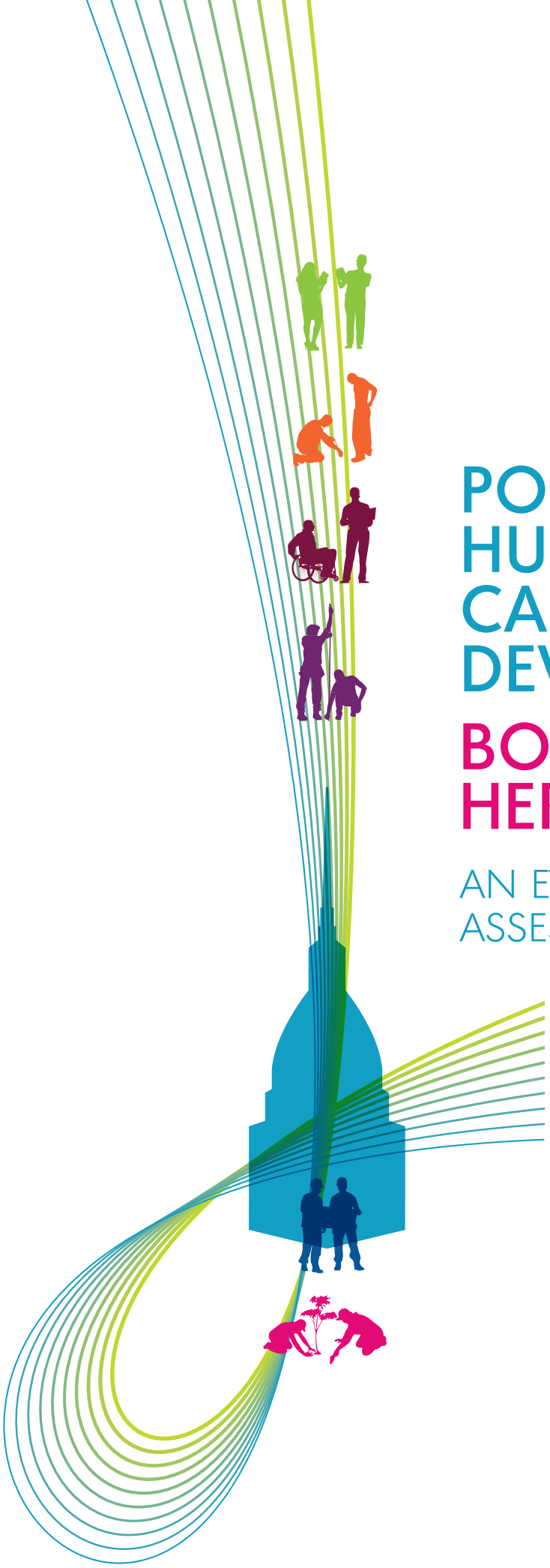

POLICIES FOR HUMAN CAPITAL DEVELOPMENT

BOSNIA AND HERZEGOVINA

AN ETF **TORINO PROCESS** ASSESSMENT

THE EU AGENCY SUPPORTING COUNTRIES TO DEVELOP THROUGH LEARNING

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This report was prepared in the framework of the Torino Process 2018-20 by Vincent McBride, ETF, as principal author, and edited by ETF specialists.

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PREAMBLE

The European Training Foundation (ETF) assessment provides an external, forward-looking analysis of human capital development issues in Bosnia and Herzegovina and vocational education and training (VET) policy responses from a lifelong learning perspective. It identifies challenges related to education and training policy and practice that hinder the development and use of human capital. It takes stock of these challenges and puts forward recommendations on possible solutions to address them.

These assessments are a key deliverable of the Torino Process, an initiative launched by the ETF in 2010 aimed at providing a periodic review of VET systems in the wider context of human capital development and inclusive economic growth. In providing a high-quality assessment of VET policy from a lifelong learning perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.

The ETF interprets human capital development as the provision of support to countries for the creation of lifelong learning systems. These systems in turn provide opportunities and incentives for people to develop their skills, competences, knowledge and attitudes throughout their lives so that they can find employment, realise their potential and contribute to prosperous, innovative and inclusive societies.

The purpose of the assessments is to provide a reliable source of information for planning and monitoring education and training policies for human capital development. The assessments are also intended to initiate a dialogue on the programmes and policies supported by the European Union (EU) and other donors.

The ETF assessments rely on evidence collected from the countries using a standardised reporting template (national reporting framework) in a Torino Process country report. The Torino Process report for Bosnia and Herzegovina (referred to in this assessment as the Bosnia and Herzegovina report) was compiled by a local expert contracted by the ETF. At the time of writing this ETF assessment, the Bosnia and Herzegovina report had not been endorsed by the Bosnia and Herzegovina authorities. The ETF takes full responsibility for the content of the assessment covered in this report.

The assessment starts with a brief description of the strategic plans and policy priorities in Bosnia and Herzegovina (Section 1). It then presents an overview of issues related to the development and use of human capital in Bosnia and Herzegovina (Section 2), before moving on to a discussion of problems in this area, which in the view of the ETF require immediate attention (Section 3). Section 4 provides the overall conclusions of the analysis. Annex 1 provides a summary of the recommendations in the report.

EXECUTIVE SUMMARY

The European Training Foundation (ETF) Torino Process assessment provides an external, forward-looking analysis of human capital development issues in Bosnia and Herzegovina and VET policy responses from a lifelong learning perspective. It is based on evidence provided in the Bosnia and Herzegovina Torino Process report compiled by the ETF[1] in 2019 using a standardised questionnaire (national reporting framework) and, where relevant, additional information sources.

Context

One of the key resources for growth in Bosnia and Herzegovina is human capital, which needs to be nurtured and mobilised so that economic growth is maintained in the future. While there are many aspects to this complex process, the efficiency with which existing resources are used for the labour market is at the centre of human capital development.

This assessment finds multiple systemic challenges concerning the development and use of human capital in Bosnia and Herzegovina, which may jeopardise further progress and the sustainability of reform achievements to date.

Bosnia and Herzegovina is committed to the promotion of economic growth, the creation of new jobs and a higher standard of living for all its citizens.

Although the economy of Bosnia and Herzegovina has been expanding steadily in the past few years, job creation has not kept up. The labour force participation rate in Bosnia and Herzegovina is 20 percentage points lower than the EU average.

Despite an improvement in labour market indicators, young people, women, poorly educated people and those living in rural areas dominate the unemployment and inactivity figures. Unemployment continues to be a critical factor for Bosnia and Herzegovina despite a gradual downward trend in recent years, attributed mainly to declining labour force participation as people emigrate or stop looking for work. The growing informal economy, which is estimated at 30% of GDP, further inhibits employment and human resource development.

Almost one-quarter of young people are not in employment, education or training (NEET) (World Bank, 2019). In 2018, the long-term unemployment rate stood at 80% of the total number of unemployed people. It remains clear that there is a mismatch between the type of education offered to young people and the needs of the labour market.

The education system is providing the labour market with a workforce that cannot be absorbed. The education system is not able to keep pace with market dynamics and meet the economic demands for relevant and up-to-date skills, which is leading to a widening skills gap and skills-related discrepancies in the labour market.

Rigid rules on social protection benefits (e.g. an obligation to register with public employment services) continue to burden employment agencies, limiting the capacity and scope of activation measures.

[1] Please note that at the time of writing this report, the Bosnia and Herzegovina report had not been validated by the Bosnian authorities.

The constitutional settlement in Bosnia and Herzegovina accords its entities and cantons full competence in the management, development and coordination of education policies. This is effective in promoting local ownership and control, but less so in developing integrated state-wide policies and an integrated state-wide system. The complexity has implications for human capital development as policy coordination and implementation is challenging.

The continuing absence of state-wide VET and employment strategies constrains the ability of reform measures to implement good practices, particularly in the area of quality assurance and employability, and to develop these priorities at an even rate across Bosnia and Herzegovina.

Formal structures at state level would support a more systematic engagement of the social partners in human capital development, which is a key requisite for aligning education systems with labour market needs and ensuring that students acquire relevant skills.

There is a certain degree of tension between, on the one hand, the aim of having policy autonomy in education, as established by the constitutional settlement of Bosnia and Herzegovina, and, on the other hand, the aim of having a policy that applies to a relevant degree across Bosnia and Herzegovina and supports cooperation with the EU at a national level.

The extent to which this tension can be resolved will affect the efficiency and effectiveness of human capital development and its use across Bosnia and Herzegovina through labour market and education policies: efficiency because it can reduce duplication and share good practices, and effectiveness because a state-wide policy can draw more stakeholders into the process and share more of the benefits of policies.

In 2016, Bosnia and Herzegovina applied for EU candidate status. The EU is the country's largest single donor, making significant contributions to education and training reform and labour market improvements. Recently, it has focused on major projects in the VET sector that address teachers, curricula, occupational standards and qualifications.

In December 2019, and in response to Bosnia and Herzegovina's application for EU membership, the EU's General Affairs Council concluded that policy alignment with EU acquis was under-developed in Bosnia and Herzegovina[2]. The Council based its opinion on an assessment by the European Commission on the country's readiness and capacity to assume the obligations of EU which specifically underlined the need by Bosnia and Herzegovina to adopt a state-wide employment strategy[3].

This ETF assessment identifies a number of systemic challenges stemming from Bosnia and Herzegovina's constitutional structure that have a direct effect on the development and use of human capital in Bosnia and Herzegovina. Below is a summary of the main findings and proposed recommendations.

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[2] * Conclusion of the EU General Affairs Council, 10 December 2019.
https://www.consilium.europa.eu/media/41692/bih-st14954-en19.pdf

[3] ** Commission Opinion on Bosnia and Herzegovina's application for membership of the European Union.
https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/20190529-bosnia-and-herzegovina-opinion.pdf

Findings on human capital development

As mentioned above, human capital development in Bosnia and Herzegovina faces significant challenges – a high rate of inactivity in the labour market (57.9%), high unemployment (18.4%) and a large informal sector, estimated at approximately 30% of total employment. These challenges limit the development and use of human capital, creating both a constraint and a cost when Bosnia and Herzegovina has a low level of spending on employment programmes (0.19% of GDP).

The VET sector in Bosnia and Herzegovina faces a challenge in relation to employability. Very high unemployment among young people points to the problem of aligning the education system with the needs of the labour market. The business environment remains fragile, still underdeveloped and with a low capacity to generate employment.

VET needs to align with sectors that have growth potential, such as those sectors that are linked to trading (or the potential to trade) with the Single Market. Furthermore, the digital capacity of small and medium-sized enterprises (SMEs) to connect into the EU's digital internal market will require an upgrading of digital skills and possibly sector strategies to grow or restructure Bosnia and Herzegovina's industries.

Challenge No. 1: Weak links with the economy inhibit VET contribution to human capital development

The absence of a systematic approach and mechanisms ensuring a robust state-wide social dialogue is one of the key constrains that prevents the education system, and in particular the VET system, from contributing to economic growth by providing graduates with the skills needed by industry.

Alignment of the education system with labour market needs is based primarily on enrolment policies, which so far have not been successful in adjusting supply to labour market needs. Furthermore, these policies have been unsuccessful in addressing persisting skills mismatches, and their revision is still pending.

Challenge No. 2: Institutional limitations due to lack of information lead to inefficient use of human capital

Due to the fragmented government structure, the public administration has difficulties in providing solid diagnostics.

An assessment of current and future skills needs and labour market trends in Bosnia and Herzegovina relies heavily on the capacity and resources of employment agencies (state and entity level). The lack of labour market analyses using a wider range of data and information sources (not limited to public employment service data) makes it difficult to analyse the qualifications and skills required by the labour market.

Consequently, the employment services fail to meet the needs of employers and job seekers and to provide career guidance.

Challenge No. 3: Underutilisation of VET teaching workforce capacity

The teaching profession's skills play a critical role in supporting the development of human capital. These skills impact directly on the learning experiences of students and their use and development of skills in the labour market.

There is currently no state-wide teaching service in Bosnia and Herzegovina. Each education authority is responsible for the recruitment and management of teachers in its own jurisdiction. Furthermore, there is no system of continuing professional development (CPD) in place for VET teachers.

Challenge No. 4: Low participation in adult learning

Participation of adults in education and training remains very low and is decreasing.

Only 7% of adults in Bosnia and Herzegovina participate in adult learning, which is mostly non-formal. Adult learning is mainly offered to highly skilled workers, whereas the participation of workers with a low or medium level of skills is much lower. Three out of four adults in Bosnia and Herzegovina state that they do not require further training. The main obstacles to participation in adult learning are related to family responsibilities, other personal reasons and the cost of training (Adult education survey, 2018).

Challenge No. 5: Slow and limited transitions to employment

In Bosnia and Herzegovina, unemployed people are typically out of work for more than 12 months before they find a job. This figure has not changed significantly since 2013. VET graduates are particularly vulnerable in several respects: participation, continuation to further education and employability. Unemployment rates tend to be higher among young adults who graduate from vocational training than among those who pursue an upper secondary general programme as their highest level of educational attainment. VET students therefore constitute a group that is difficult to place within the labour force. They are at higher risk of becoming discouraged workers with limited possibilities for improving their employability through participation in further education. Consequently, this group may become inactive and may be at risk of emigrating.

Recommendations for action

The ETF assessment provides recommendations concerning the improvement of the strategic framework for the development of human resources.

Addressing weak state-wide policy development

Resolving the challenges in human capital development requires processes that reconcile the dual need for local autonomy and a state-level approach that can support the economic integration of Bosnia and Herzegovina, both within its own boundaries and within the broader European economy.

Addressing the human capital challenges requires improved capacities in the education and training systems to adapt to changing labour market needs in order to reinforce the link between human capital development and job requirements. The overall framework condition for this is holistic state-wide policy making in which education and training are integrated and aligned with other policies, including economic development, employment and social protection.

Addressing weak transitions to employment

The limited capacities of labour market institutions lead to inefficient use of human capital.

There is scope for a state-wide labour market transition scheme focused on linking employment and skills development. The scheme could serve as an ‘umbrella’ for the various training programmes that are available to support unemployed people and those trying to enter the labour market. This would facilitate the sharing of expertise and processes across education authorities.

A system of structured transition training, e.g. apprenticeships and traineeships combining work and formal education and training, should be developed within the context of the qualifications framework.

This could be achieved through a new state-wide structured training scheme aligned to the lower and mid-levels (e.g. levels 1 to 4) of the qualifications framework and open to young people and adults.

The approach could combine broad-based VET in a public or private education and training institution with subsidised work in relevant fields to form an integrated transition system from training to employment. By linking it to the qualifications framework, participants would have the opportunity to progress to more advanced areas of education, training or employment if they wanted to. The approach could be integrated with other employment programmes.

1. INTRODUCTION

1.1 About this assessment

This ETF assessment was prepared in 2019. The assessment process included desk research based on responses to a standardised questionnaire (the national reporting framework), compiled by an ETF expert, which resulted in the Bosnia and Herzegovina Torino Process report (referenced in this assessment as the Bosnia and Herzegovina report)[4]. Other additional reports have been used where relevant. Key findings were presented and discussed at a consultation meeting in Sarajevo (April 2019) with key country stakeholders and representatives of the EU Delegation.

This ETF assessment comes at an important point as Bosnia and Herzegovina prepares for the next multiannual cycle of reform implementation, which includes preparation for EU support through the next generation of the Instrument for Pre-accession Assistance (IPA) in the period 2021–2027. The report is expected to help prioritise reforms and devise actions by providing input to policy makers in the area of education and training. The assessment findings complement the monitoring of the Economic Reform Programme from a sector point of view.

Like other ETF assessments, this paper is not meant to be exhaustive. It focuses on challenges, which the ETF recommends addressing as a matter of priority.

1.2 Bosnia and Herzegovina overview

Bosnia and Herzegovina declared sovereignty in October 1991. The country is bordered by Croatia to the north and west, Serbia to the east, and Montenegro to the south. The official languages are Bosnian, Croatian and Serbian.

The constitution of Bosnia and Herzegovina, a legacy of the 1995 Dayton Peace Agreement, defines a complex institutional structure comprised of two governing entities: the Federation of Bosnia and Herzegovina (with 10 cantons) and the Republika Srpska; the independent Brčko District is formally part of both entities.

The presidency is tri-partite, with one Bosnian, one Croatian and one Serbian member. The Parliamentary Assembly is the legislative body. It comprises the House of Representatives and the House of Peoples, with members elected by proportional representation along ethnic lines from the Federation of Bosnia and Herzegovina and the Republika Srpska.

The Federation of Bosnia and Herzegovina has its own two-chamber parliament and each of the 10 cantons has its own government, prime minister and assembly. Each canton also has autonomy over issues such as industrial relations, employment and education. The Republika Srpska has its own two-chamber parliament and government, and municipalities with their own legislative powers. Additionally, the Brčko District has an assembly and government, although the laws of Bosnia and Herzegovina apply there. There are ministries at state, entity and cantonal level (ETF, 2017).

[4] At the time of writing the ETF assessment, the Bosnia and Herzegovina report had not been endorsed by local stakeholders.

The overall impact of the constitutional structure is a strong emphasis on local autonomy for local policy actions and, conversely, longer times for developing and implementing consistent state-wide public policy initiatives. Local autonomy puts more demands on cooperation structures and mindsets in order to develop state-wide solutions. This is particularly true for the areas of education, training and employment.

Bosnia and Herzegovina submitted its application for EU membership on 15 February 2016 and in 2018 it applied for EU candidate status. In June 2019, the EU General Affairs Council reiterated the concerns raised by the European Commission on Bosnia and Herzegovina's EU candidacy application and held off on taking a decision until a later date, stressing political stalemate and poor coordination across the various entities which was hampering progress in economic reform.

Bosnia and Herzegovina is a small, upper-middle-income economy with a population estimated at some 3.8 million citizens. The population has been declining in recent years. The negative demographic change is due to accelerated ageing and emigration, leaving only 15% of the population aged between 15 and 24 years (World Bank, 2019).

Although the economy of Bosnia and Herzegovina has been expanding steadily in the past few years, job creation has not kept up, resulting in one of the most challenging labour market situations in the Western Balkans. In 2018, jobs were generated primarily in industry and services, but fell in agriculture. Despite an increase in both the activity rate and the employment rate of women, both rates were low compared to most other countries in the region, and the country maintained substantial gender gaps in employment.

The labour force participation rate in Bosnia and Herzegovina is very low – 20 percentage points lower than the EU average – and stagnating, showing the lack of capacity for supporting effective transition to the labour market.

At just over 19% in 2018, unemployment continues to be a critical factor for Bosnia and Herzegovina despite a gradual downward trend in recent years. The downward trend can be attributed to declining labour force participation as people emigrate or stop looking for work. The female unemployment rate (21.5%) continues to outpace the male unemployment rate (19.2%). Enrolment in early childhood education and care is low, as is the availability of elderly care. Together, these factors contribute to the low employment levels of women, who predominantly assume the role of caretaking.

Youth unemployment fell by 7 percentage points to 38.8% compared to 2017. This could be due in part to continued emigration. Almost one in four young people could be classified as NEET (World Bank, 2019). Long-term unemployment (those out of work for 12 months or more) rose to 81% between 2017 and 2018 (Agency for Statistics of Bosnia and Herzegovina, 2018e). Informal employment is estimated at 30% in Bosnia and Herzegovina. The high tax wedge, including on low salaries, works to a certain extent as a disincentive to work and/or hire for formal employment. For employees, working in the informal economy means being stuck in a low-paid and risky activity. The lack of training taking place in informal employment prohibits those employees from claiming better-paid positions in the formal sector.

TABLE 1. SELECTED CONTEXT INDICATORS, BOSNIA AND HERZEGOVINA

Indicator	2015	2016	2017	2018
GDP per capita, PPP (current international $	6,083	6,424	6,859	7,301
GDP, real growth rate (%)	-0.3	4.4	4.7	4.0
Foreign direct investment, net inflows (% of GDP)	2.8	1.2	1.7	2.1
Population	3,555,159	3,553,056	3,550,852	3,547,539
Youth population (15-24), in % of the population in working age	17.3	16.3	15.5	14.8
Unemployment rate (in % of those aged 15-64)	4.9	4.2	4.1	3.0
Activity rate (in % of those aged 20-64)	42.4	42.6	42.2	43.3
Enrolment in VET, in % of total upper secondary enrolment (ISCED 3)	43.4	45.7	48.7	46.6
Share of youth (15-24) not in employment, education or training	21.1	19.7	20.2	17.3

Source: ETF database.

1.2 Strategic context

In 2014, the Compact for Growth initiated by the EU laid the groundwork for a stronger focus on reforms that promoted economic and social development. The Stabilisation and Association Agreement entered into force in June 2015 and the Reform Agenda was adopted. This signalled a greater commitment to reforms regarding a business enabling environment, public financial management, the labour market, social protection, the rule of law and public administration.

The Reform Agenda prioritises human capital development as a means of improving the activity rate of the working age population and reducing the high unemployment rate.

Since 2015, Bosnia and Herzegovina has been submitting a medium-term Economic Reform Programme (ERP) to the Commission on an annual basis. In this programme, it sets out plans to strengthen macro-fiscal stability and tackle structural obstacles to growth. Medium-term public budget planning is affected by fragmented responsibilities and limited cooperation between the entities. Most of the measures presented by Bosnia and Herzegovina in the ERP are not state-wide measures and only include entity-specific activities (European Commission, 2019).

The complexity of education governance in Bosnia and Herzegovina means that there are more than 70 policy documents in terms of strategies, framework laws, laws and rulebooks, for example.

There is no state-wide employment strategy in place. The Republika Srpska entity has an employment strategy for 2016–2020, with a 2018 action plan. Although the Federation of Bosnia and Herzegovina has no employment strategy, several employment programmes are currently in operation. Similarly, there has been no comprehensive state-wide strategy for vocational education and entrepreneurial learning since 2015. The implementation of the Strategic Platform for the Development of Adult Education, which expires in 2020, suffers from the absence of a state-wide qualifications system.

Comprehensive reforms have been undertaken in education. Recent reforms addressed mostly labour market needs through the development of a qualifications framework for all levels of education in Bosnia and Herzegovina.

The Bosnia and Herzegovina Torino Process report, drafted by a local expert contracted by the ETF, describes the many education and training initiatives, policies and strategies at entity, canton and even municipal level. The report emphasises that skills development is a priority in Bosnia and Herzegovina and that many actions are under way. The strategies are supported by specific actions aimed primarily at creating closer links between business and education, improving teacher training and promoting work-based learning and internships.

Four framework laws covering pre-school, primary and secondary education, secondary vocational education and training and higher education are in place at state level. The purpose of framework laws is to provide principles and standards and to harmonise and coordinate legislation and policies adopted by education authorities within Bosnia and Herzegovina and with EU standards and principles. Legislation still needs to be harmonised between state, entity and canton level.

The EU is the country's largest single donor[5], making significant contributions to education and training reform and labour market improvements. In the period between 2018 and 2020, the approach reflects a stronger labour market orientation and greater support for employability. The specific objectives are to:

- increase employability by linking the education system(s) with labour market needs, with a special focus on further development and implementation of the qualifications framework;
- improve quality and effectiveness of labour market institutions and services;
- increase employment opportunities for young people, persons with disabilities and long-term unemployed people; and
- increase female employment and the labour market participation of women.

In 2018, supported by the ETF, all parts of the education system worked together to establish a set of state-wide priorities for entrepreneurship and digital competences in recognition of the increasing importance at EU level of key competences for a more flexible labour market.

The adoption of state-wide strategies, for public financial management and employment for example, remains a key requirement for Bosnia and Herzegovina to benefit fully from the IPA funding.

[5] Between 2007 and 2018, Bosnia and Herzegovina received EUR 1.5 billion from the EU, of which an estimated EUR 433 million came from regional programmes. Since 2000, the European Investment Bank has awarded EUR 2.4 billion in loans to support projects in Bosnia and Herzegovina (European Commission, 2019).

2. HUMAN CAPITAL: DEVELOPMENT AND CHALLENGES

2.1 Overview and key data

As mentioned earlier in this report, human capital is an aggregate of the knowledge, skills, talents and abilities possessed and used by individuals for economic, social and personal benefit. The value of human capital for people, economies and societies depends on how well it is developed, and on the extent to which it is then available and used.

The constitutional settlement in Bosnia and Herzegovina accords its entities and cantons full competence in the management, development and coordination of education policies. This is highly effective in promoting local ownership and control, but less so in developing an integrated state-wide human capital development system.

Due to the fragmented institutional environment, a segregated education system has developed. Different curricula are taught and the language of teaching differs according to the children's ethnic identity. The Bosnia and Herzegovina Torino Process report states that the way in which the education system is organised makes it difficult to introduce a system at state level that would include efficient infrastructure investment and overall modernisation of schooling. The system seems expensive; most of the financial resources are used to pay the education provider's salaries while a small part of the annual education budget is invested in infrastructure.

Due to the fragmentation of policy making, the systematic collection of data and the compilation of comparable statistics at all levels of education remain challenging, especially in terms of learning outcome data.

Bosnia and Herzegovina is ranked 58th on the list of 157 countries included in the World Bank's Human Capital Index, which was introduced in 2018. A child born in Bosnia and Herzegovina today will reach only 62% of its productive potential compared to children born in countries with the best education and health care. On average, children in Bosnia and Herzegovina can expect to complete 11.7 years of schooling by the age of 18. However, this is only equivalent to 8.6 years of effective education when the quality of learning is taken into account (World Bank, 2018b).

Despite spending a relatively high percentage of GDP (5%) on education, Bosnia and Herzegovina's education outcomes are among the weakest in the region. This is probably a result of the high administrative costs of a highly decentralised system and the lack of common standards for various levels of education and teacher training and performance evaluation (USAID, 2016).

Some of the key human capital indicators, as well as Bosnia and Herzegovina's performance with respect to EU benchmarks in education and training, suggest that there are challenges at all stages of this value chain. The availability of human capital is affected by the demographic trends, which gradually deplete the pool of young workers and entrepreneurs (Table 1 and Table 2, Indicator 1). The development of skills among adults, especially those with low or no qualifications, suffers from limited access to lifelong learning (Table 3).

The effectiveness and quality of human capital development in formal education and training is also challenged. The expected duration of schooling is just over 14 years and its average duration is close

to 10 years. The learning-adjusted duration of schooling is on average less than 7 years (Table 2, Indicators 2 to 4).

One of the main challenges in Bosnia and Herzegovina is tackling underachievement in key competences. Recent results from the OECD Programme for International Student Assessment (PISA) show that half of students aged 15 are underachievers in reading, mathematics and science6. When analysing the incidence of low achievement among students aged 15, it is worth noting that this is the typical age for entering VET in Bosnia and Herzegovina. Thus, students entering VET are at high risk as a result of a lack of foundation skills (i.e. reading, mathematics and science).

TABLE 2: SELECTED INDICATORS OF HUMAN CAPITAL, BOSNIA AND HERZEGOVINA

		Year	Value
(1) Population structure (%)	0–24	2015	27.8
	25–64		56.5
	65+		15.7
	0–24	2025	24.1
	25–64		55.7
	65+		20.2
(2) Average years of schooling		2017	9.7
(3) Expected years of schooling		2017	14.2
(4) Learning-adjusted years of schooling		2017	8.6
(5) Adult literacy		2015	98.5
(6) Global Innovation Index ranking (x/126)		2018	77
(7) Global Competitiveness Index ranking (x/137)		2017-18	103
(8) Digital Readiness Index ranking (x/118)		2018	57

Source: ETF database

[6] Low achievers are the 15-year-olds who are failing Level 2 on the PISA scale for reading, mathematics and science. The indicator provides a measure of the youth population most at risk through a lack of foundation/basic skills. It is one of the EU targets for 2020 in education and training.

TABLE 3: EU BENCHMARKS IN EDUCATION AND TRAINING

	BOSNIA AND HERZEGOVINA		EUROPEAN UNION (2018)			EU2020 TARGET
	2010	2018	Lowest	Average	Highest	2020
Early leavers (% aged 18–24)	7.9	5.4u	3.1	10.6	17.5	**< 10**
Tertiary attainment (% aged 30–34)	11.8	23.5	24.9	40.7	57.6	**≥ 40**
Employment rate (% aged 20–64)	42.8	47.7	57.8	73.1	81.8	**≥ 75**
Lifelong learning (% aged 25–64)	2.8	1.9	1.0	11.1	29.9	**≥ 15**
Low achievers – reading (% aged 15)	a	53.7	13.5	21.7	40.8	**< 15**
Low achievers – mathematics (% aged 15)	a	57.6	10.2	22.4	46.6	**< 15**
Low achievers – science (% aged 15)	a	56.8	8.8	21.6	46.5	**< 15**
Employment rate of graduates (% aged 20–34)	39.3	51	55.2	81.6	93.7	**≥ 82**

Source: Eurostat, OECD, Agency for Statistics of Bosnia and Herzegovina

ETF evidence (Key Indicators on Education, Skills and Employment, KIESE) shows that the employment rate for VET graduates is low at 46.4%. This rate improved over the course of the decade: it is up from 27.3% in 2010. Male graduates do better than females with an employment rate of 53% as against 31.3%. Women continue to enrol in VET, however, with 70% of female secondary students entering VET in 2018, up from 67.5% in 2010. Graduates from general education have rates of employment at 56.2% overall and 58.8% for males and 53.8% for females.

However, females do have a higher tertiary attainment rate: 28.8% compared to 18.4% for males. This is reflected in the educational attainment of the active population, in which the proportion of females who are highly skilled is significantly higher than males – 21.7% against 12.9%.

Overall, the employment rate has improved in recent years with the growth in the economy, rising from 42.8% in 2010 to 47.7% in 2018 for those aged between 20 and 64.

With the growth in employment, the unemployment rate fell from 27.2% in 2010 to 18.4% in 2018. This fall was matched by a drop in the youth unemployment rate from 57.5% to 38.8%, which continues to be high.

In the case of both females and males, the highest falls in overall unemployment were among the low- and medium-skilled job seekers. The incidence of vulnerable unemployment is declining, down from 21.6% in 2010 to 16.4% in 2018. Similarly, the percentage of young people not in employment, education or training (NEETs) declined from 28% in 2010 to 21.6% in 2018.

The figures suggest an improving picture in the labour market and, with the general increase in employment, long-term unemployment is also falling. It fell by 4.8% between 2016 and 2017. However, the share of long-term unemployed is very high at over 80% of the total unemployed population. This concerns in particular lower-skilled, young and older workers.

At 58.4%, overall labour force participation was low in 2018 and has not increased substantially for the 20–64 year-old age group since 2010. The labour force activity rate for males is much higher at 71.7%

of the population aged 20 to 64 as against 45% for females. The employment rate for females is also low for this age group at 35.8% compared to 59.5% for males.

The low participation rates and the high unemployment rates indicate significant underutilisation of human resources.

Between 2016 and 2018, the gender employment gap for young people increased by 4 percentage points to 13.5 percentage points. During this period, overall employment was increasing and the unemployment rate was decreasing, suggesting that young males may be entering employment at a higher rate than young females. Between 2016 and 2018, the employment rate for male VET graduates increased by 13.4 percentage points. The figures for female VET graduates are not available[7].

Over the same period, the activity rates for young males and females were stable. However, for the 25–49 age group, activity rates for females rose slightly while they were stable for males in the same age group. The difference continues to be large, however, at 86.8% for males and 58.9% for females.

In 2018, more than half of the inactive population had at most primary education level (52.6%). This compared to 5% of this group, which had higher education and 42.4%, which had secondary education. There was no difference between males and females in the case of higher education, but in secondary education the figures were 52.1% for males as against only 36.1% for females (Agency for Statistics of Bosnia and Herzegovina, 2018e).

For both genders, however, low activity rates are associated with low levels of educational attainment and skills development.

Challenge No. 1: Weak links with the economy inhibit VET contribution to human capital development

In its assessments of the recent ERPs, the European Commission points out that the formal education system in Bosnia and Herzegovina is weak and does not correspond to labour market needs. Thus, due to inefficiencies in matching labour demand with supply, the human capital of Bosnia and Herzegovina goes underutilised. The occupational mismatch (ERP 2019–2021, Section 4.3.6.1, 2019) indicates that the education systems face inter-linked challenges in responding to changing demands for skills, which include the following:

- enrolment policies not corresponding with labour market needs;
- outdated curricula and lack of practice-oriented training;
- lack of entrepreneurial and digital competences;
- inadequate staffing and equipping of schools and educational institutions; and
- lack of teacher training.

With three out of four upper secondary students enrolled in vocational programmes, the VET system in Bosnia and Herzegovina is under pressure to ensure that young people acquire key competences and skills for employment.

The absence of a systematic approach and mechanisms ensuring dialogue between employers and the education system across Bosnia and Herzegovina is one of the key constrains that prevents the education system, and in particular VET, from contributing to economic growth by providing graduates

[7] ETF, KIESE indicators, 2019.

with the skills needed by industry. The limited opportunities for employers to work with education authorities at state level constrain the development of a state-wide qualifications framework.

In 2008, with the introduction of the Framework Law for VET, the education authorities sought to address the problem of cooperation with the business sector by including the need for each entity to establish tripartite councils.

The idea is still current and under the Republika Srpska's new VET law a new council is also being developed. The council includes representatives of the following institutions: four members representing the labour market (the Chamber of Commerce of the Republika Srpska, the Employers' Association of the Republika Srpska, the Employment Service of the Republika Srpska and the Craft and Entrepreneurship Chamber) and one member proposed by the Union of Education, Science and Culture of the Republika Srpska.

However, the Bosnia and Herzegovina report indicates that the tripartite councils have not functioned as intended and have not deepened the relationship between the VET system and the business community.

In the absence of a permanent consultative forum or process, the education authorities have been addressing this through an emphasis on learning outcomes and the basis of curriculum, the use of modularisation to help with flexibility and as a structuring tool for the curriculum and the development of occupational standards as a reference point for the curriculum. However, these are largely technical developments and there is a need for processes that help the education sector absorb the business perspective.

Alignment between the education system and labour market needs is based primarily on enrolment policies which have been unsuccessful so far in adjusting labour supply to market needs. Enrolment policy determines the allocation of resources to educational institutions, particularly for VET in secondary education and for higher education, limiting the choice of students and skills supply for the labour market. To date, enrolment policies have been unsuccessful in addressing persisting skills mismatches, and their revision is still pending.

The need to address enrolment policies was one of the key recommendations of the 2016 round of the Torino Process. The Bosnia and Herzegovina report notes that some positive steps have been taken, with improvements at entity and cantonal level. At an institutional level, the Republika Srpska's Ministry of Education and Culture has worked to create an enrolment policy for the 2018/2019 academic year. Similarly, within the last two years, the Federation of Bosnia and Herzegovina's Ministry of Education and Science, together with cantonal ministries, has been trying to improve enrolment policy, amongst other initiatives, by developing a specific policy called the *Strategic Directions for Career Guidance Development in the Federation of Bosnia and Herzegovina in the Period 2015–2020*[8].

Challenge No. 2: Institutional limitations due to lack of information lead to inefficient use of human capital

Labour market information is an essential component in helping countries generate, update and disseminate knowledge on current and future skills needs.

[8] See www.fmon.gov.ba/ for Federal Ministry of Education and Science documents.

Due to the fragmented government structure in Bosnia and Herzegovina, the public administration(s) has/have difficulties in establishing solid diagnostics and the necessary state-wide reforms of education and labour market policies.

Activities to gather labour market data include/have included:

- annual surveys conducted by the Federal Employment Institute;
- an analysis conducted by the Bosnia and Herzegovina cantons of the VET enrolment policy to identify how it harmonises with labour market conditions;
- trend analyses and reports by entity-level employment bureaus (employers believe such reports are not adequately considered in policy making);
- Centre for Policy and Governance research on links between education policies and the labour market (2010); and
- business-level surveys, e.g. a 2009 online survey of 933 companies.

Employers' surveys implemented by the public employment services in Bosnia and Herzegovina (Bosnia and Herzegovina Employment Agency, Federation of Bosnia and Herzegovina Employment Institute, Republika Srpska Employment Institute and Brčko District Employment Institute) are the main sources of information on the current skills gaps and future skills needs.

Public employment services in Bosnia and Herzegovina, including the State Employment Agency and three entity-level institutes (in the Federation of Bosnia and Herzegovina, Republika Srpska and Brčko District), have conducted several rounds of employers' surveys of skills demand.

The assessment of current and future skills needs and labour market trends in Bosnia and Herzegovina therefore relies heavily on the capacity and resources of the employment agencies (at state and entity level).

Based on employers' surveys and labour market data, the employment services develop labour market needs analyses. However, labour market information is often limited to the monitoring of inflows and/or outflows of (registered) unemployment and vacancies communicated by employers.

Stakeholders involved in education policy planning highlight the need for more detail when it comes to analysing qualifications and skills demand. Labour market analyses produced using a wider range of data and information sources (not limited to public employment service data) are necessary. These would make it feasible to determine a longer-term prognosis of labour market trends and the implications for skills demand. This would result in improved evidence of labour market and skills demand and provide meaningful and reliable input to skills-matching policies.

Challenge No. 3: Underutilisation of VET teaching workforce capacity

The VET teaching workforce is critical in Bosnia and Herzegovina as vocational education accounts for 75% of secondary students (ETF KIESE indicators for Bosnia and Herzegovina).

The teaching profession's skills play a critical role in supporting the development of human capital: teachers' skills impact directly on the learning experiences of students and on their eventual use and development of skills in the labour market.

The Bosnia and Herzegovina Torino Process report highlights a strong focus on improving the quality of the curriculum and the delivery of VET.

Although standards and practices are generally similar, and the experience and tasks of teaching and school management are broadly the same, teacher evaluation, assessment and advancement are regulated by different laws and different levels of regulations in entities and cantons.

The modular curricula are implemented differently across entities, which is partly due to schools being inadequately equipped to implement the curricula and lacking the teaching skills to apply them. Some flagship initiatives aimed at revising curricula have been conducted but they are broadly related to local communities and do not have a comprehensive country approach.

The Framework Law on Primary and Secondary Education in Bosnia and Herzegovina states that teachers are obliged to take part in CPD. However, the nature and content of such programmes are left to the education authorities at entity, canton and district level. The evaluation of teachers and the assessment of their advancement are regulated by different laws and differing levels of regulation in entities and cantons. The activities of pedagogical institutes in relation to teacher training, supervision and evaluation affect the quality of VET, but their resources are limited.

There is currently no state-wide teaching service for Bosnia and Herzegovina. Each education authority is responsible for the recruitment and management of teachers in its own jurisdiction.

When VET teachers have access to CPD, most report that it has some impact. However, there is a lack of capacity to design CPD that is responsive to the needs of VET teachers and instructors. The establishment of CPD centres within some pedagogical institutes has been an important step forward (Brankovic, 2016).

The Bosnia and Herzegovina report raises a number of issues regarding the teaching profession. These include the approach to the size of the teaching workforce and the opportunities for CPD that are available to support the profession in updating the skills required to implement the reforms facing the sector.

The report states that teaching methods continue to rely mostly on ‘rote’ learning, whereas future curricula need to have a stronger focus on key competences and the development of ‘learning to learn’ capacities among students. In addition, there is a strategic state-wide commitment to the development of entrepreneurial and digital competences and a high level of interest among students.

A programme to promote the integration of entrepreneurial key competences in learning (ISCED Levels 2 and 3) currently exists. Entrepreneurial and digital competences are already part of the Common Core Curriculum. There are some examples of good practice, which are mainly ad hoc initiatives. Tools to support the education authorities in incorporating the entrepreneurship key competence (ISCED 4 and 5) are available (developed with EU financial support). However, without a monitoring and reporting system, it is difficult to discern how these are being used.

Many teachers are not yet sufficiently experienced to teach key competences and there is no CPD system for teachers in this area. This may have a negative impact on implementation, the learning of students and their eventual use and development of skills in the labour market. Many schools also risk being unprepared digitally.

The growth of work-based learning is also an emerging issue in the VET system in Bosnia and Herzegovina, e.g. in the Republika Srpska and the Canton of Sarajevo, and is expected to be included in the new state-wide VET strategy currently under development. The strategy is expected in 2020.

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RECOMMENDATIONS

1. Use 'joined-up thinking' frameworks that enable stakeholders and policy makers to work together

Increase efforts to implement European initiatives in education and training.

Develop a new VET strategy for sectors with high growth potential.

Design a new state-wide cooperative partnership agreement on skills development with key targets for the implementation of policies.

2. Use qualifica strategic tool fo

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Investigate whet develop the qua industry sectors.

Discuss the stand demand.

Investigate whet together with the could be used to state-owned ent

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3. Use state-wide labour market transition scheme

Develop a state-wide system of structured transition training combining broad vocational education and training.

Use the programme as a 'stepping stone' into primary labour market jobs.

Improve and increase work-related training and improve 'life chances' by including both employed and unemployed people.

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This will require additional skill sets as well as new duties and supporting tasks for teachers, as students are placed and monitored in workplaces.

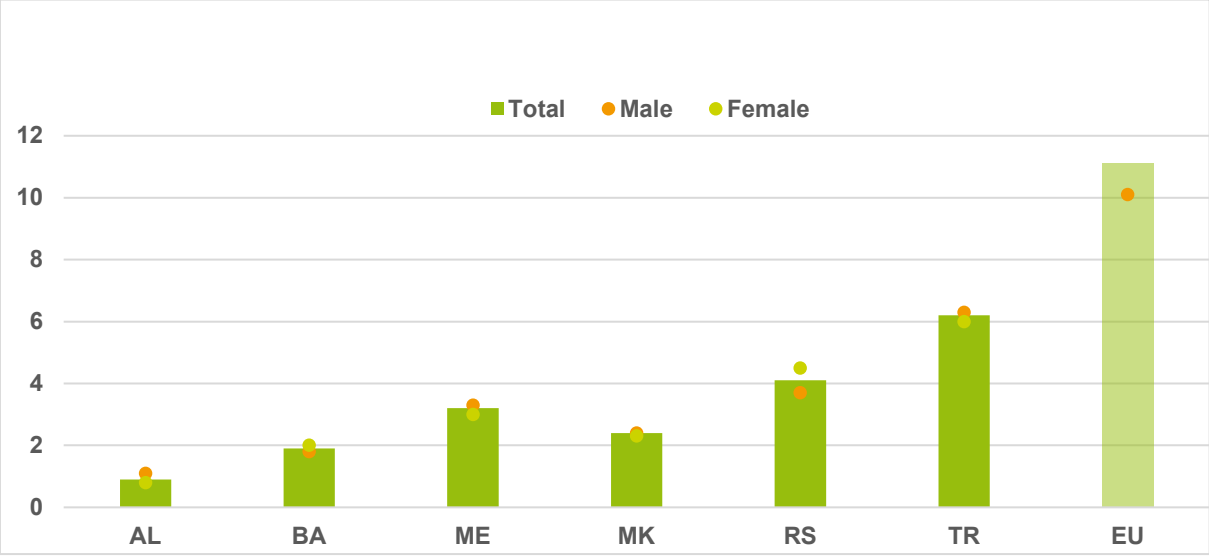
Challenge No. 4: Slow implementation of adult learning strategy

The participation of adults in education and training remains very low and has been decreasing. The implementation of the Strategic Platform for the Development of Adult Education in 2014–2020 suffers from a lack of resources and the absence of a state-wide system of qualifications. This inhibits the development of upskilling pathways for adults seeking to improve their opportunities in the labour market.

Depending on how it is measured, the participation of adults in education and training ranges between 1.9% (Agency for Statistics of Bosnia and Herzegovina, 2018e) and 8.7% (Adult education survey, 2018), compared to the EU averages of 11% and 45%, respectively. The younger generation (aged between 25 and 34), highly educated and employed people benefit from continuing formal or non-formal education and training.

Based on an Adult Education Survey conducted in 2016 (Adult Education Survey Eurostat, 2019), adult learning is mostly non-formal with only 7% of adults in Bosnia and Herzegovina participating. Adult learning is mostly offered to highly skilled workers, whereas the participation of low- and medium-skilled workers is much lower. Three out of four adults in Bosnia and Herzegovina state that they do not require further training. The main obstacles to participation in adult learning are related to family responsibilities, other personal reasons and the cost of training.

TABLE 4: PARTICIPATION IN ADULT EDUCATION AND LIFELONG LEARNING (2018) - % OF 25-64 YEAR OLD



Source: ETF database, Eurostat

Challenge No. 5: Slow and limited transitions to employment

In 2019, the government of Bosnia and Herzegovina estimate that 82.3% of unemployed persons are out of work for more than 12 months before they find a job. This percentage has not changed significantly since 2013[9].

The Bosnia and Herzegovina report highlights that VET graduates are particularly vulnerable in several respects: participation, continuation to further education and employability. VET students are a cohort that is difficult to employ within the workforce. Therefore, they are highly likely to become discouraged (a population group unemployed for more than two years) or stuck (the population group that cannot continue with education but lacks employable skills).

[9] Economic Reform Programme for Bosnia Herzegovina, 2019.

3. ASSESSMENT OF KEY ISSUES AND POLICY RESPONSES

Introduction

This section discusses two problems related to human capital in Bosnia and Herzegovina: weak state-wide policy-making and implementation processes and the need for improved transitions to employment.

These two challenges are assessed in more detail here. In the view of the ETF, they require immediate attention as they constitute major impediments to progress with regard to the strategic priorities of Bosnia and Herzegovina in terms of stability, competitiveness and inclusive economic growth.

These problems are not new, but they are long-term policy challenges that constrain the overall improvement of human capital development and use. The more detailed analysis of reasons for their persistence and the associated recommendations offered by this assessment might add value to the ongoing efforts of authorities, stakeholders and international partners.

3.1 Weak state-wide policy development

3.1.1 The problem

Following the constitutional framework established by the Dayton Peace Agreement, the policy-making system in Bosnia and Herzegovina is fragmented. Despite the existence of a legal framework for sectoral strategies at entity level, there is a lack of harmonised legal provisions and guidance for state-wide priority setting.

It is difficult to refer to the education system in Bosnia and Herzegovina as a single system, it is more a network of different systems within the context of a single state. Constitutional responsibility for all levels of education in Bosnia and Herzegovina lies with the 10 cantons in the Federation of Bosnia and Herzegovina, the Republika Srpska and the Brčko District. There are thus 12 ministries of education that are fully responsible for all levels of education and all education activities, including funding, establishing pedagogical standards, opening new schools, approving qualifications and curricula and appointing school boards.

State-level competence primarily takes the form of coordination between the entities, based on the constitutional responsibility to represent Bosnia and Herzegovina at international level. In the case of education, its purpose is to oversee implementation of framework legislation. Consequently, there is no specific ministry of education at state level, although a coordinating role is delegated to the Ministry of Civil Affairs.

The main institutions responsible for human capital development are the following:

- at state level: Ministry of Civil Affairs, which has a Department of Education, and the Agency for Pre-primary, Primary and Secondary Education, which has a VET Department;
- at entity/district level: Ministry for Education and Science of the Federation of Bosnia and Herzegovina, Ministry for Education and Culture of the Republika Srpska and Department for Education in the Brčko District;

- at the level of the Federation of Bosnia and Herzegovina: 10 cantonal ministries of education[10].

In terms of human capital development, the existence of multiple education authorities means there is considerable scope for duplication, e.g. multiple sets of curricula11, administrative practices and approvals. There is also the potential for different systems to progress at different speeds with significant differences in the levels of quality. From the point of view of employers, this can mean different outcomes, depending on the entity and the canton in which a student graduates.

A state-wide VET strategy came to an end in 2015. The continuing absence of a state-wide VET strategy constrains the ability of the reform measures to promote good practices, particularly in the area of quality assurance, and to develop these priorities at an even rate across the country12. The complex and fragmented system contributes to the lack of common standards in the various levels of education, as well as in teacher training and performance evaluation.

Examples of how the multiple systems impact on human capital development can be found in the area of adult learning. In 2014, Bosnia and Herzegovina successfully adopted various principles and standards to support adult learning at state level, setting the basis for organisation, implementation, accreditation and validation of adult education programmes. However, it has taken four years for these principles to be incorporated into countrywide legislation. By 2016, laws on adult education were adopted in six cantons in the Federation of Bosnia and Herzegovina and in the Republika Srpska. It took another two years for all cantonal governments to adopt the adult education legislation13.

Similarly, there has been a delay in updating the state-wide VET strategy in Bosnia and Herzegovina. The previous strategy ended in 2015 and the education authorities are presently reformulating the strategy with the expectation of its completion in 2019. However, the adult learning strategy, covering continuing vocational training, and the VET strategy, covering initial vocational education in the secondary school system, will not be developed simultaneously. This means there will be no possibility of an integrated process capable of linking the two sectors together through common or related objectives.

3.1.2 Policy responses

Priorities and effectiveness

The use of framework laws offers the entities and their education authorities the opportunity to work with the Ministry of Civil Affairs at state level. It provides a common set of principles and approaches that serve as a reference point at state level and that subsequently can be implemented at local level without compromising the autonomy of the cantons and the entities.

The 2008 Framework Law on VET was adopted to recognise the distinctive role and focus of VET (as opposed to general education) and the need for its curriculum to be relevant to industry and business. The Framework Law on Secondary Vocational Education and Training provided specific rules and regulations related to secondary education and VET.

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[10] Bosnia and Herzegovina, Torino Process, National Reporting Framework, 2019.

[11] Inventory of Vocational Qualifications for Bosnia and Herzegovina, 2018.

[12] At the time of drafting this report, all education authorities have been working towards a set of state-wide priorities for VET, supported by the Austrian authorities.

[13] Bosnia and Herzegovina, Torino Process Report, 2019.

To date, only the Republika Srpska and seven cantons in the Federation of Bosnia and Herzegovina have adopted or adjusted their legislation in accordance with these two laws.

There are currently three additional framework laws associated with vocational education:

- Baseline Qualifications Framework;
- Framework for Quality Assurance;
- Framework for Core Curricula.

The Baseline Qualifications Framework offers Bosnia and Herzegovina an opportunity to restructure its vocational education system for the benefit of employers and employees by delegating regulation of the system to business and industry.

The planned Baseline Qualifications Framework appears to be based on qualifications derived from the occupational standard. While this is a common approach, there is also scope for the qualifications framework to be developed around industry sectors.

Qualifications for skills-related career paths could be identified by industry sectors and be led by employers' organisations and associations. This would provide an economy-wide reference point for the qualifications and provide a new role for business and industry in the education and training system.

The framework could be used to support enterprise restructuring in key industry areas. For example, state-owned enterprises have been identified as a particular problem, affecting macroeconomic performance, fiscal sustainability, labour market outcomes and competitiveness. The qualifications framework, together with the relevant occupational standards, could be used to develop a skills framework for these state-owned enterprises that would help them assess the skills profiles necessary for effective restructuring.

However, although the form of the framework has been agreed, no process has been agreed yet at state level for its implementation.

Nor is there an agreement in place to move forward with the referencing process to the European Qualifications Framework. The descriptions of how the Baseline Qualifications Framework will comply with the principles and criteria of the European Qualifications Framework are therefore still missing.

Furthermore, the Interdepartmental Commission, which is expected to oversee the development and subsequent management of the qualifications framework in Bosnia and Herzegovina has not been established.

A proposal for a new state-wide VET quality assurance system framework for initial and continuing VET, based on European Quality Assurance in VET (EQAVET), was developed in 2018 as part of the work done on the Baseline Qualifications Framework. It was designed to support all the education authorities in Bosnia and Herzegovina and provide a common reference point for them in relation to accreditation programmes. As with the Baseline Qualifications Framework, it has been designed to bring the different education authorities together and to act as a bridge to broader European developments, including participation in EU networks and fora. The framework could therefore potentially advance the education and training system.

The entities have not yet reached agreement on the framework and discussions are ongoing to obtain the agreement of all education authorities.

Shortcomings and policy gaps

Although the use of framework laws is potentially a valuable approach, the implementation of each framework law at entity level has been delayed.

Their effective implementation is dependent on inter-institutional cooperation. However, a state-wide dialogue process for promoting inter-institutional cooperation in education and training is not evident. At the level of the Federation of Bosnia and Herzegovina, the system is particularly decentralised: competence lies at the level of the 10 cantons, while the federal level has limited powers.

The Conference of Education Ministers was introduced in 2008 with the idea that it would promote deeper and more frequent cooperation between the education authorities. Under its Rules of Procedure, the conference can only make conclusions and recommendations if all members of the conference or their authorised representatives attend the meeting. The conference reportedly did not meet in 2018 and held only two out of an expected three sessions in 2017.

While it is entirely within the competences of the education authorities, a proliferation of qualifications frameworks would place a burden on the coordination of education and absorb resources in the administration of education, rather than meeting the needs of students and employers.

The key feature of a functioning qualifications framework is effective working arrangements that facilitate mutual decision making between the education and labour authorities, employers and providers. The limited opportunities for employers to work with education authorities at state level constrain the development of a state-wide qualifications framework.

A gap in the present arrangements is that progress towards implementation of the existing frameworks is not clear and that the extent to which the Bosnia and Herzegovina monitoring processes support these frameworks is also uncertain.

3.1.3 Recommendations

Recommendation 1 – Use ‘joined-up thinking’ frameworks that enable stakeholders and policy makers to work together

The sharing of expertise and experience and regular dialogue between different systems needs to be strengthened with more opportunities for the state, cantons and entities to work together to implement common solutions to shared human capital development problems.

Education authorities and state institutions should increase efforts to implement European initiatives in education and training, e.g. key competences, qualifications frameworks and quality assurance. They should also strengthen their links with the EU and avoid falling behind internationally. This should involve the development of a new VET strategy to pay particular attention to sectors with high growth potential and wider developments in Bosnia and Herzegovina to adopt smart specialisation strategies.

The current arrangements could be strengthened significantly if the Conference of Education Ministers established indicators that could be related to each of the frameworks and progressively followed by a monitoring secretariat.

The ability to work with broad frameworks is an important feature of European cooperation in education and employment. Frameworks are a form of ‘joined-up thinking’ that enable stakeholders and policy makers to work together in a way that connects diverse and related issues.

The use of broad frameworks is underpinned by consensus, dialogue and cooperation. These frameworks serve as the basis for the open method of coordination used by the EU in multiple policy processes, such as the Copenhagen Process, and its associated peer learning and joint reporting exercises.

High-quality, timely dialogue is the means by which the European education space has been developed and it will be one of the principal means of Bosnia and Herzegovina's interaction with EU Member States, both during and after becoming an EU candidate country.

A monitoring approach that makes progress more visible would improve the speed of implementation. The work of the Conference of Education Ministers could lead this by developing a new state-wide cooperative partnership agreement on skills development with key targets for the implementation of policies and their alignment with EU developments. A state-wide standing group on VET could track this process.

This would also assist Bosnia and Herzegovina in representing its different systems outside the country, as it is currently difficult for external systems to engage with, or follow, progress in Bosnia and Herzegovina.

Recommendation 2 – Use qualifications framework as a strategic tool for system change

The introduction of the Baseline Qualifications Framework has the potential to support aspects of industry policy more directly. The framework offers Bosnia and Herzegovina an opportunity to restructure its vocational education system for the benefit of employers and employees by delegating regulation of the system to business and industry.

Although not yet implemented, the planned Baseline Qualifications Framework appears to be based on qualifications derived from occupational standards. While this is a common approach, there is also scope for the qualifications framework to be developed around industry sectors.

The sector strategies highlighted by Bosnia and Herzegovina in its Economic Reform Programme could be supported by the development of sector-based frameworks, i.e. qualifications frameworks for the energy, transport and tourism sectors. These would be state-wide frameworks and their development would support the different education authorities in testing the framework and enable more inter-system collaboration.

This could also help to connect skills at different levels of the framework and support the ongoing skilling of employees in the expectation that they develop career paths in industry rather than in occupations.

Qualifications for skills-related career paths could be identified by industry sectors and be led by employers' organisations and associations. This would provide an economy-wide reference point for the qualifications and create a new role for business and industry in the education and training system.

Discussions should be held in various sectors about the occupations most in demand in order to identify the standards that need to be designed and delivered. The framework could be used to support enterprise restructuring in key industry areas. For example, state-owned enterprises have been identified as a particular problem, affecting macroeconomic performance, fiscal sustainability, labour market outcomes and competitiveness. The qualifications framework, together with the relevant occupational standards, could be used to develop a skills framework for these state-owned enterprises that would help them assess the skills profiles necessary for effective restructuring.

3.2 Weak transitions to employment

3.2.1 The problem

Public employment services can play a critical role in providing career guidance, vocational counselling and access to training and job-matching services.

Labour market institutions are undergoing reform. The aim is to transition from mainly administrative work to a client-focused approach based on consultative services to improve job mediation. However, in Bosnia and Herzegovina, their work has so far been characterised by the predominance of passive labour market policies caused by the lack of administrative and financial capacities of the public employment services to implement active labour market policies.

Employment services differ between the entities, with the Republika Srpska preferring to offer training services and the Federation of Bosnia and Herzegovina providing employment incentives. In 2017, 13 512 people participated in labour market measures in the Republika Srpska. Of these, 11 836 received training, while 1 004 received an employment incentive. In the Federation of Bosnia and Herzegovina, 10 638 people participated in labour market measures but only 336 received training, while 8 977 received incentives[14].

Social support services also differ between the entities. In the Republika Srpska, services are centralised, while responsibility for social policy in the Federation of Bosnia and Herzegovina falls within the shared competence of the entity and its cantons. One of the consequences of this is that labour mobility across the state tends to be inhibited, as people are inclined to remain within the ambit of their social assistance system.

There has been some increase in training on mediation and the advisory work of employment offices across the state, which has improved service delivery and placed more focus on clients, not only on registering people who are unemployed. Expenditure on active labour market programmes (ALMPs) as a share of GDP has almost doubled since 2013 but still remains very low (0.19% in 2017).

Additionally, the challenge that emerges from the complex governance system in the context of economic and labour market developments affecting the use of human capital is the limited institutional capacities and coordination among labour market services. The political divisions and the fragmented government structure of the public administration hampers solid diagnostics and the necessary reform of education, labour markets and economic policies. Additionally, the administration cannot guarantee sufficient outreach and coverage of related services like employment services or ALMPs.

3.2.2 Policy responses

Priorities and effectiveness

Wage subsidies are the most common type of ALMP across the state. In the Federation of Bosnia and Herzegovina, there are multiple programmes with different structures, target groups and funding allocations. The ‘First work’ experience programme targets young unemployed people (up to 29 years of age) and provides them with training and a period of work practice organised with partner enterprises. Other subsidies are available to registered unemployed people (who have been

[14] ETF, KIESE indicators, 2019.

unemployed for between 6 and 12 months), returnees to the labour market who are facing barriers there, job seekers of Roma origin and vulnerable individuals. In the Republika Srpska, the subsidies provided to young people are mostly related to the co-financing of projects to acquire work experience or to start a business; both subsidies are paid for one year. In the Brčko District, the Employment Institute provides a self-employment scheme that includes business training, development of a business plan and mentoring.

Apprenticeship schemes and other forms of work-based learning are still underdeveloped across the state. Traineeship programmes are organised in all three entities to support young people who require a period of work experience to perform their occupation of choice. These programmes – lasting between 6 and 12 months, depending on the level of initial education – are organised in the public sector as well as in enterprises and civil society organisations.

Both a lack of human resources and a lack of funding prevent the public employment services from implementing comprehensive ALMPs. Additionally, rigid rules on social protection benefits (e.g. an obligation to register with the public employment services) continue to burden employment agencies, limiting the capacity and scope of activation measures.

A significant number of job seekers, including university graduates, obtained employment abroad through job mediation services. However, even higher numbers of often skilled employed people found jobs abroad on their own, contributing to a high rate of emigration among individuals in the labour force.

Public employment services operate with limited funding, staff, client outreach and support services for job seekers, and are also limited with regard to their provision of ALMPs.

The World Bank is providing structured support for the employment of Bosnia and Herzegovina citizens through a four-year long project (2016–2020). The value of the project for the Federation of Bosnia and Herzegovina is EUR 25 million; the implementing partner is the Federation's Ministry of Labour and Social Policy. The project includes two components: employment promotion through active employment measures and support for management, monitoring and communication systems. The project aims to support the employment of 6 000 young people and 15 000 people in disadvantaged groups.

In 2018, the Employment Institute of the Federation of Bosnia and Herzegovina planned support for people who are more difficult to employ, especially young people without work experience, long-term unemployed people and women. The Employment Institute also planned for the employment of around 10 000 unemployed people.

Shortcomings and policy gaps

There is scope for a state-wide labour market transition scheme focused on linking employment and skills development. The scheme could serve as an 'umbrella' for the various training programmes that are available to support unemployed people and those trying to enter the labour market. This would facilitate the sharing of expertise and processes across education authorities.

Many of the elements for a new state-wide scheme already exist in Bosnia and Herzegovina. However, they tend to exist at local level, and they are insufficiently integrated.

Likewise, the education and employment assistance projects are insufficiently integrated. For example, the proposed draft for the IPA 2019–2020 programme for employment and education does

not describe clearly how education and training objectives can be linked. Such a scheme could also connect with key preventive measures such as career guidance services, which are being developed or implemented in the entities, and the validation of prior learning, as it becomes more developed following the implementation of the qualifications framework.

Multiple programmes and providers, formal and informal, involving NGOs, donors and public authorities, currently provide many options that target transitions into the labour market. Although the overall impact of these programmes can be assumed to be positive, it is difficult to assess the contribution that they make. Most of the programmes are localised.

Given the structure of Bosnia and Herzegovina, such a scheme should be decentralised, and employers, unions and community groups should be deeply involved in planning, policy formulation and review. The most important issue is the means of improving the transition to employment and the labour force from inactivity and unemployment or education.

While improvements have been made in regard to labour market policies, the ALMPs still tend to be focused mostly on employment subsidies rather than training programmes.

Moreover, while a variety of ALMPs are delivered in Bosnia and Herzegovina, more support could be provided for VET graduates entering the labour market. This is especially important considering their cohort in the total unemployed population in Bosnia and Herzegovina.

3.2.3 Recommendation

Recommendation 1 – Use a state-wide labour market transition scheme

A state-wide system of structured transition training, e.g. apprenticeships and traineeships combining work and formal education and training, should be developed within the context of the qualifications framework.

This could be achieved through a new state-wide structured training scheme aligned to the lower and mid-levels (e.g. levels 1 to 4) of the qualifications framework and open to young people and adults.

The approach could combine broad-based VET in a public or private education and training institution with subsidised work in relevant fields to form an integrated transition system from training to employment. By linking it to the qualifications framework, participants would have the opportunity to progress to more advanced areas of education, training or employment if they wanted to. The approach could be integrated with other employment programmes.

The approach should aim to take account of the value of education and training, or rather the value placed by the people themselves and employers on work experience and learning on the job. The programme should aim to combine the two, which should result in enhanced labour market prospects for the individuals and add to the stock of human capital in the economy. Such arrangements, combining employment, education and training, would also have a number of other important benefits.

For example, they act to bring employers and education and training authorities closer together. They provide those who are not motivated by full-time study with an impetus to train, and they provide a level of income during training that may be necessary to permit some people to participate. They also offer the possibility of spreading available work and training opportunities among a larger and more varied group of people.

The programme should act as a 'stepping stone' into primary labour market jobs. It should also improve and increase broad-based work-related training and improve the 'life chances' of the participants. The programme should raise the status of many of the jobs involved. The target group must include both employed and unemployed people because many jobs offer essentially unstable employment and few training opportunities.

Local employment initiatives could be promoted until state-wide employment priorities are agreed. Such initiatives could include institutional support for common data requirements, particularly in terms of the skills demanded by local businesses, and training provision.

4. CONCLUSIONS

Despite improvements in labour market indicators, young people, women, poorly educated individuals and people living in rural areas dominate the unemployment and inactivity figures.

Because of the political divisions and a rather fragmented government structure, the public administration there are multiple difficulties in implementing the necessary reforms in education and labour market policies.

Economic growth and development in Bosnia and Herzegovina is hampered by a complex constitutional, political and administrative set-up and a fragmented economic space. The fragmented administrative structure hinders the development and implementation of state-wide sectoral reform processes.

With 14 executives exercising competences in relation to human capital development, efforts need to be made to significantly strengthen the country's capacities at all levels. Some pooling of resources and capacities is needed to cope with the challenges.

There is a certain degree of tension between, on the one hand, the aim of having policy autonomy in education, as established by the constitutional settlement of Bosnia and Herzegovina, and, on the other, the aim of having a policy that applies to a relevant degree across Bosnia and Herzegovina and supports cooperation with the EU at state level.

The extent to which this tension can be resolved will impact on the efficiency and effectiveness of human capital development and its use in Bosnia and Herzegovina through labour market and education policies: efficiency because it can reduce duplication and share good practices, and effectiveness because a state-wide policy can draw more stakeholders into the process and share more of the benefits of the policies.

Since 2017, the European Commission has shifted its main form of employment assistance towards sector budget support. The budget support programme for 2019 and beyond facilitates the endorsement of a state-wide employment strategy and constitutes the interface with educational reforms.

To ensure a state-wide approach to medium-term policy planning, Bosnia and Herzegovina should establish regulatory frameworks and mechanisms for central and sectoral policy development, monitoring and budgeting at all levels. Bosnia and Herzegovina needs to improve policy making at state level. This includes the establishment of policy monitoring frameworks. Social dialogue should become an institutionalised part of the policy-making processes.

The overall conclusion is that Bosnia and Herzegovina needs to act quickly to fill these gaps, harness the full potential of its human capital and impact positively on employment and economic growth.

ANNEX: SUMMARY OF RECOMMENDATIONS

Human capital development and use problem	Recommendations		
	No.	Recommendation	Description
Weak state-wide policy development and implementation processes	R1	*Use 'joined-up thinking' frameworks that enable stakeholders and policy makers to work together*	Education authorities and state institutions should increase efforts to implement European initiatives in education and training, e.g. key competences, qualifications frameworks and quality assurance, to strengthen their links with the EU and avoid falling behind internationally. This should involve the development of a new VET strategy to pay particular attention to sectors with high growth potential and wider developments in Bosnia and Herzegovina to adopt smart specialisation strategies. The current arrangements could be strengthened significantly if the Conference of Education Ministers established indicators that could be related to each of the frameworks and progressively followed by a monitoring secretariat. A monitoring approach that makes progress more visible would improve the speed of implementation. The work of the Standing Conference of Education Ministers could lead this by developing a new state-wide cooperative partnership agreement on skills development with key targets for the implementation of policies and their alignment with EU developments. A state-wide standing group on VET could track this process. This would also assist Bosnia and Herzegovina in representing its different systems at an international level, as it is currently difficult for the external systems to engage with, or follow, progress in Bosnia and Herzegovina.
	R2	*Use qualifications framework as a strategic tool for system change*	The introduction of the Baseline Qualifications Framework has the potential to support aspects of industry policy more directly. The framework offers Bosnia and Herzegovina an opportunity to restructure its vocational education system for the benefit of employers and employees by delegating regulation of the system to business and industry. Although not yet implemented, the planned Baseline Qualifications Framework appears to be based on qualifications derived from occupational standards. While this is a common approach, there is also scope for the qualifications framework to be developed around industry sectors. Qualifications for skills-related career paths could be identified by industry sectors and be led by employers' organisations and associations. This would provide an economy-wide reference point for the qualifications and create a new role for business and industry in the education and training system. Discussions should be held in various sectors about the occupations most in demand in order to identify the standards that need to be designed and delivered. The framework could be used to support enterprise restructuring in key industry areas. For example, state-owned enterprises have been identified as a particular problem, affecting macroeconomic performance, fiscal sustainability, labour market outcomes and competitiveness. The qualifications framework, together with the relevant occupational standards, could be used to

			develop a skills framework for these state-owned enterprises that would help them assess the skills profiles necessary for effective restructuring.
Weak transitions to employment	R3	Use state-wide labour market transition scheme	A state-wide system of structured transition training, e.g. apprenticeships and traineeships, combining work and formal education and training, should be developed within the context of the qualifications framework. The approach could combine broad-based VET in a public or private education and training institution with subsidised work in relevant fields to form an integrated transition system from training to employment. By linking it to the qualifications framework, participants would have the opportunity to progress to more advanced areas of education, training or employment if they wanted to. The approach could be integrated with other employment programmes. The programme should act as a 'stepping stone' into primary labour market jobs. It should also improve and increase broad-based work-related training and improve the 'life chances' of the participants. The programme should raise the status of many of the jobs involved. The target group must include both employed and unemployed people because many jobs offer essentially unstable employment and few training opportunities.

LIST OF ACRONYMS

ALMP	Active labour market programme
BHAS	Agency for Statistics of Bosnia and Herzegovina
CPD	Continuing professional development
EQAVET	European Quality Assurance in Vocational Education and Training
ERP	Economic Reform Programme
GDP	Gross domestic product
KIESE	Key Indicators on Education, Skills and Employment
NEET	Not in employment, education or training
NGO	Non-governmental organisation
OECD	Organisation for Economic Co-operation and Development
SME	Small and medium-sized enterprise

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