



**POLICIES FOR
HUMAN
CAPITAL
DEVELOPMENT
BOSNIA and
HERZEGOVINA**

AN ETF **TORINO PROCESS**
ASSESSMENT

**EXECUTIVE
SUMMARY**

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 ETF¹ 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 Herzegovina². 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 strategy³.

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.

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>

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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 qualification strategic tool for



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Discuss the stand
demand.

Investigate whet
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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.

Qualifications framework as a stepping stone for system change

Develop a vocational education system for the employers and employees by delegating the system to business and industry.

Whether it would be appropriate to develop a qualifications framework around

standards linked to occupations most in

Whether the qualifications framework, the relevant occupational standards, to develop a skills framework for enterprises.



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 constraints 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.

The ETF launched the Torino Process in 2010 as a periodical review of vocational education and training (VET) systems in the wider context of human capital development and inclusive economic growth. While providing a quality assessment of VET policy from lifelong learning (LLL) perspective, the process builds on four key principles: ownership, participation, holistic and evidence-based analysis.



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