

# National Observatory Country report

## **Vocational education and training in Bosnia and Herzegovina 2002**

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**Vocational education and  
training in  
Bosnia and Herzegovina**



# Table of contents

<b>1.</b>	<b>Background to the VET environment in Bosnia and Herzegovina .....</b>	<b>1</b>
1.1	Reconstruction.....	1
1.2	Sectoral focus (emerging sectors and sectors in decline) .....	3
1.3	Employment and unemployment .....	4
1.4	Demographics.....	5
1.5	Education and VET.....	6
<b>2.</b>	<b>Recent developments in education and training (IVET and CVT) in a lifelong learning perspective .....</b>	<b>7</b>
2.1	Policy development .....	7
2.2	Adapting the legal framework.....	8
2.3	Governance and responsible bodies.....	8
2.4	Modernisation of the education and training system.....	9
2.5	Guidance and counselling .....	15
2.6	Re-orienting the education and training system in line with the European Employment Strategy .....	16
<b>3.</b>	<b>Recent developments in employment policy .....</b>	<b>19</b>
3.1	General outline of employment policy aims.....	19
3.2	Adaptation of the legal framework .....	20
3.3	Governance and responsible bodies.....	21
3.4	National and regional employment services .....	21
3.5	Preparation of employment services to contribute to the implementation of the European Employment Strategy .....	26
<b>4.</b>	<b>External support to VET reform .....</b>	<b>27</b>
<b>5.</b>	<b>Conclusions .....</b>	<b>29</b>



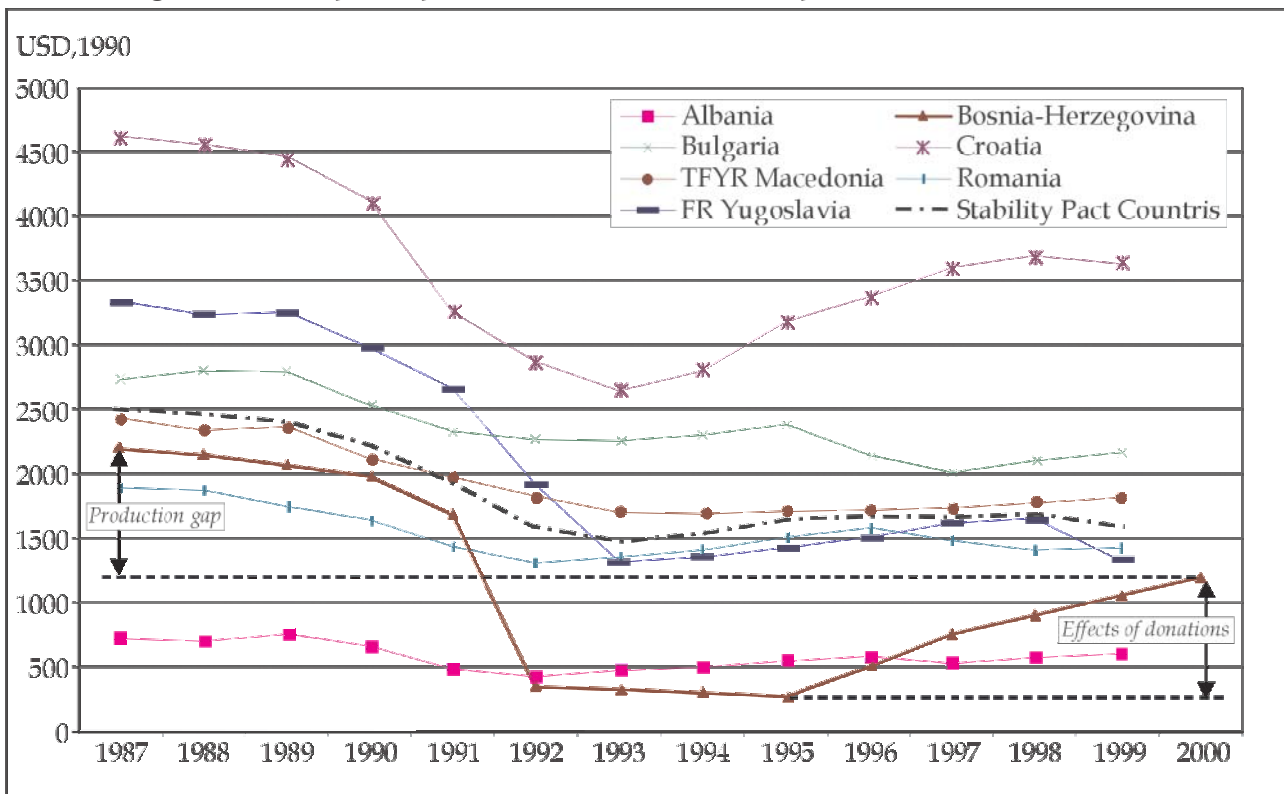
# 1. Background to the VET environment in Bosnia and Herzegovina

Vocational education and training interacts with a complex environment of economic, social and political parameters. In Bosnia and Herzegovina (BiH), the precarious and very specific organisation of the public sector adds significantly to this complexity. The scope of this document has therefore been limited to a small number of key fields of interaction. These include the reconstruction of the economy, its dimensions and structure, employment and unemployment, demographic developments and basic education inputs.

## 1.1 Reconstruction

Figure 1 shows<sup>1</sup> that pre-war GDP per capita in BiH was about US\$2,200. During the war this decreased to US\$270. Largely due to post-war donations it had reached US\$1,200 by 2000. (All figures are against 1990 prices.)

Figure 1: GDP per capita in south-eastern European countries, 1987-1999



1 Figure 1 sources: a) *Statistical Yearbook*, 42nd issue, Table 22, UN, New York, 1997; b) *Demographic Yearbook* 1995, Table 5, UN, New York, 1995; c) *Monthly Bulletin of Statistics*, Vol. LIV, No 11, Table 1, UN, New York, 2000; d) *Economic Survey of Europe*, No 3, Statistical Appendix Table B1, UN, New York and Geneva, 2000; e) Author's estimate.

In 1990 Bosnia and Herzegovina's key economic indicators included:

- a production capacity valued at US\$9,200 million (according to 1990 exchange rates), or US\$2,200 per capita;
- a workforce of 1.076 million people which represented one-quarter of the total population (one-third of the working age population) and did not include 310,000 self-employed<sup>2</sup> in the private agricultural sector;
- a foreign-trade capacity amounted to of one-third of GDP, while net exports totalled US\$300 million;
- a fiscal capacity of at least US\$3,000 million from 1990 (measured by an average tax rate of 33%) or around US\$700 per capita.

There is a big gap between present and pre-war production volumes. It is highly unlikely that production will return to pre-war levels within the next 10 years, partially due to mistakes in the privatisation process but also because of deeper structural changes needed in the economy. As a result, there is little chance of alleviating social tensions or boosting employment prospects for school-leavers in the foreseeable future.

### *Post-war economy*

Basic data on post-war economic activity is presented in table 1<sup>3</sup>.

**Table 1: Basic economic indicators**

Indicator		1997	1998	1999	2000	2001
GDP (in billions of KM, current prices)		6.6	7.4	8.6	9.4	10.1
Of that in	FBiH	4.7	5.6	6.1	6.7	
	RS	1.6	1.8	2.5	2.7	
GDP (in billions of US\$, current prices)		3.7	4.2	4.7	4.5	4.6
Annual GDP rate of change (US\$)		40.0%	16.0%	10.8%	-5.3%	4.0%
GDP per capita (US\$, current prices)		1196	1369	1493	1391	1447
Annual GDP per capita rate of change (US\$)		36.6%	14.5%	9.0%	-6.8%	4.0%
Exports (billions of US\$)		0.30	0.59	0.75	1.07	1.14
Imports (billions of US\$)		1.64	2.72	3.08	3.11	3.08
Net exports (billions of US\$)		-1.34	-2.13	-2.33	-2.04	-1.94
Number of employed (thousands)		575.19	619.71	633.75	638.56	628.53
Of that in	FBiH	373.40	395.45	407.75	410.81	407.20
	RS	201.79	224.27	226.00	227.75	221.33
Registered unemployed (thousands)		339.98	382.25	410.47	418.81	421.16

2 According to the 1991 census, there were 510,000 agricultural households. Of these, 310,000 people were active and supported another 316,000 people.

3 Table 1 data sources: a) *Country Report*, Economist Intelligence Unit, London, February 2002; b) *Monthly Bulletin* 4/2002 and 4/2000, Federal Bureau of Statistics-Sarajevo; c) *Bulletin* No 2/2000 and 4/2000, Central Bank of BiH-Sarajevo; d) Population number: author's estimate.



Indicator		1997	1998	1999	2000	2001
Of that in	FBiH	201.98	240.10	262.97	265.54	267.78
	RS	138.00	142.15	147.50	153.26	153.38
Working contingent unemployment rate		23.4%	21.8%	20.1%	21.4%	20.3%
ILO unemployment rate		37.1%	38.2%	39.3%	39.6%	40.1%

These data show that between 1997 and 2001 production levels increased by about 24% from US\$3,700 million to US\$4,600 million. The Republika Srpska (RS) accounted for roughly one-quarter of production while the remaining three-quarters were produced by the Federation of Bosnia and Herzegovina (FBiH). Production currently stands at only one-third of pre-war levels with all parameters considerably worse than before.

At two-thirds of production volume, foreign trade turnover (both imports and exports) has tripled. The trade deficit, however, is very high at 42% of GDP. Between 1997 and 2000 the number of unemployed increased by 9%. This indicates an increase in productivity of about 35%. The low inflation rate and a stable currency currently provide a favourable environment for boosting economic activity.

So far there has been no significant improvement in the standard of living. The GDP per capita of US\$1,200 puts BiH in the category of underdeveloped countries. From the standpoint of living standards within poor countries, making a value of US\$3.3 (about KM 7.3) per capita, daily. Daily consumption per capita exceeds daily income by US\$0.7.

By the end of 2000, foreign investment in BiH stood at<sup>4</sup> US\$781 million. This was far below expectations and would seem to suggest that the limited economic progress made has largely been realised from within the country. Due to the speculative nature of this domestic form of investment, the shedding of workers in traditional sectors of the economy can be expected to continue.

## 1.2 Sectoral focus (emerging sectors and sectors in decline)

As there are no precise breakdowns of economic activity per sector, the following structural analysis is based on unemployment figures.

Mining and light industry, which made up 45% of pre-war economic activity, are losing significance in the overall economic picture. The reasons for this decline are the interruption of trade with Europe and other parts of the world during the war and the way privatisation was carried out afterwards. Energy production has dropped sharply, partly due to insufficient investment and partly due to falling demand but there is potential for a revitalisation of this sector. Most food and other consumables are imported. Nevertheless, this sector is the only part of the economy that is growing and that has considerable potential for export. Much of the land in BiH has not been farmed for almost 10 years and pollution is negligible. These favourable conditions for producing healthy food give BiH a comparative advantage over other territories of former Yugoslavia. A large amount of capital has been invested in general construction but road and bridge building show no signs of picking up yet.

<sup>4</sup> Source: *Transition Report*, EBRD.

Opening up the economy and encouraging the development of small and medium-sized enterprises (SMEs) has encouraged economy activity but high taxation and inflexible development policies have given rise to an extensive grey market. Around one-third of the business sector has been privatised<sup>5</sup> and this process is expected to be completed within the next two years.

Growth has been fastest in the public sector. National administrative bodies have grown considerably as a direct result of the style of government imposed by the Dayton Agreement.

## 1.3 *Employment and unemployment*

Employment data from the country should be treated with great care. The general lack of reliable statistics means this is especially true of the agricultural sector, the grey market and underemployment<sup>6</sup> in public enterprises.

Official employment figures showed a positive trend until 2000. At this time total employment was estimated at 628,500 people<sup>7</sup>. Over the next year, it fell by 1.6% due to the first rounds of privatisation and the general lack of a proactive development policy. Employment now hovers around 21% of the working age population and so far shows no signs of picking up.

The official number of unemployed is unacceptably high. The ILO unemployment rate exceeds 40% and is still growing. Since no investments significant enough to halt this trend have been made, it can be expected to continue for the next three to five years<sup>8</sup> as a result of the privatisation process. As experience in the New Independent States has shown, during the first five to eight years of economic transition, it is hard to avoid a recession as the economy's poor adaptability to market reform takes its toll. For this reason a further decrease of economic activity in BiH and a continued increase in unemployment figures are expected. Today, 95% of the registered unemployed do not have the appropriate qualifications or work experience for current vacancies and the supply of labour exceeds demand by about 20 times. Discrimination also continues to hamper the placement of skilled workers, particularly among refugees and displaced people. This form of discrimination is expected to disappear when the people concerned return to their pre-war homes and reintegrate in their communities.

Historic developments and war time disturbances mean employment rates differ greatly from one region to another as is shown in figure 2<sup>9</sup>.

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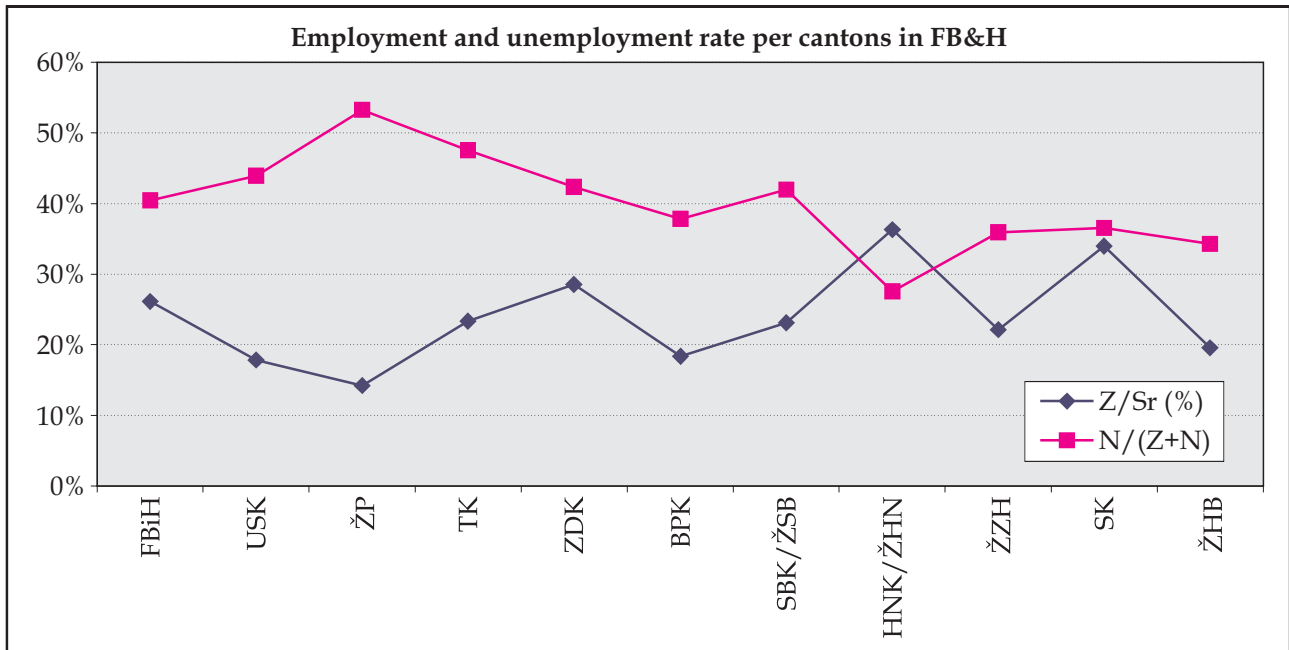
5 45% in RS and 30% in FBiH.

6 Underemployed are people registered as full-time employed with (public) enterprises, who actually perform part-time or even non-existent job tasks. They are obliged either to be present at the work place or to be available at home for a call to perform duties in the enterprise as the need arises. Many are not fully paid for presence at work and some are not paid at all. They are not registered with the employment services as either full-time or part-time unemployed.

7 35% in the RS and 65% in FBiH.

8 Proactive policy carried out by public employment services will be discussed in chapter 3.

9 Data source for figure 2: Zavod za zapošljavanje BiH: Razvoj tržišta rada u BiH, Sarajevo, 2001, p. 39.

**Figure 2: Regional disparities in levels of development**

At 39%, the unemployment rate in RS is similar to that of FBiH (shown on figure 2). For this reason a special fund for regional development support at the country level is needed. This also highlights the need for developing partnerships between the private and the public sector. It is important to take the first steps towards the idea of local economic development based on the understanding that wealth and a better quality of life in local/regional communities is not created by state government, but by private enterprises who depend upon favourable business conditions at a local/regional level.

## 1.4 Demographics

A national census, scheduled for 2001, has been postponed until the return of refugees and displaced people, making the current demographic picture unclear. Official figures speak of 2.8 million permanent or 2.3 million present inhabitants in FBiH<sup>10</sup> and 1.4 million in RS<sup>11</sup> (without specifying whether this figure relates to the permanent or the present population). If we assume this number refers to present inhabitants, this gives a figure for the total population of BiH of 4.2 million, if we assume that 85% of that number (1.2 million) are present inhabitants, this gives a total of 3.5 million people. But even this figure is probably too high as it includes around 350,000 young people who have left the country hoping to find work abroad. Therefore the most likely number of inhabitants is 3.2 million<sup>12</sup>. This is confirmed by the very low population growth rate, and by monitoring the school-age population in both entities.

The number of births is falling and the number of deaths rising. In the FBiH, this means that natural population growth stands at only 2,000 persons per year.

10 Federal Bureau for Statistics of FBiH: Statistical almanac/Chronicle of FBiH 2000, Table 4-2, Sarajevo.

11 See in Republic Bureau for Statistic of RS, Demographic Statistic-Statistical bulletin 4/2001, Table 1, Banja Luka.

12 The most current estimation of BiH population of 3.4 million is presented in UNDP's Human Development Report for BiH 2002, Sarajevo 2002.

## 1.5 Education and VET<sup>13</sup>

399,000 students are enrolled in regular primary education lasting eight years (118,000 in RS and 281,000 in FBiH) giving a participation rate of 97.5%<sup>14</sup>. There is no precise data on secondary and higher education in BiH. It is estimated that 151,000 students are attending regular secondary education (48,000 and 103,000 respectively), giving a participation rate of 75%, and around 66,000 students (22,000 and 44,000 respectively) are engaged in higher education lasting two to five years, giving a participation rate of 25%<sup>15</sup>.

There is no systematic provision of adult education, although the authorities plan to tackle this soon.

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13 Sources: a) for FBiH: Statistical annual chronicle of FBiH 2000, Federal Bureau for Statistics Sarajevo; b) for RS (primary schools): Ministry of Education of RS, Banja Luka.

14 Age group 6-14.

15 Age group 14-19.

## 2. Recent developments in education and training (IVET and CVT) in a lifelong learning perspective

### 2.1 Policy development

Rapid technological change, new scientific developments, the advent of new media and the need to pass on this knowledge mean state education policy must be regularly updated.

Education policy in BiH is the responsibility of the two entities of FBiH and RS.

In FBiH the decision making process is decentralised, while in RS it is centralised.

Implementing the same solutions across the divide could act as a stimulus for developing the education system, bringing it in line with the demands of modern scientific, technological and economic progress and furthering the involvement of BiH in the European and world labour market. A common basis for educational policy would provide vertical and horizontal permeability and act as a driver of BiH reintegration and its integration in Europe and the world.

With this purpose, VET school reform began in 1998-2001 via the Phare VET programme and continues in 2002 via the EU VET programme. Reform of primary and general secondary schools began in September 2001. At the same time, the governments of FBiH and RS set up a Standard and Assessment Agency (SAA) for education. This is a single state agency. It has spurred reform of the system and development of educational accountability measures through student assessment and evaluation of schoolwork. Further development and reform of the education system and further development of SAA are needed.

All documents concerning educational policy in BiH, stress the following priorities and aims:

- strategic education development should be based on lifelong learning;
- all of population should complete primary education;
- primary and secondary education must remain free of charge;
- primary and general secondary education must be modernised;
- reforms should make secondary education compulsory and replace existing curricula for professional occupations with new curricula focusing on subjects such as management, communications, information technology and foreign languages;
- providing the general public with more information on education and schools with more autonomy, improving the quality of education and attaining European standards;
- developing education and assessment standards on all educational levels, as well as professional development standards;
- increasing the flexibility of the education system;

- developing adult education institutions;
- developing institutions for professional training (especially in rural areas and for the unemployed and the disabled);
- developing other specialised educational institutions including distance learning.

## 2.2 *Adapting the legal framework*

12 different laws regulate the work of secondary schools in BiH. Of these, 10 are cantonal laws in FBiH, one is the secondary school law in RS and the remaining one is the primary and secondary education law in District Brcko.

These laws define the competences of schools, municipalities and cantons. The Dayton Agreement regulates the competences of entities in education. The laws are neither adapted to European norms nor harmonised with innovations in educational practice, and education systems are closed regional units.

Certificates (diplomas) are nationally recognised throughout BiH, and arrangements for recognition on a regional level (territory of Croatia and SRJ) are expected soon, including the possibility of international recognition.

There is a need to coordinate these laws at national level, and, at the same time, promote decentralisation leading to greater autonomy for individual schools. New legislation must create equal conditions for VET education throughout BiH. Only then will school-leavers possess the relevant knowledge and skills and be able to avail themselves of horizontal and vertical mobility throughout all of BiH and beyond.

OHR began the task of establishing uniform law on education in BiH. A team of European Council experts in cooperation with local experts proposed a “Law on principles and structure of primary and secondary education in BiH”, regulating students’ and parents’ rights and duties and the obligations of the state such as free education, standards and the obligations of schools. The authorities are now considering this proposal.

## 2.3 *Governance and responsible bodies*

### *Roles of and cooperation between national, regional and local administration*

The Dayton Agreement and the new national and entity constitutions significantly altered who decides what in education policy. Handing over these competencies from the state to the entities has given them the power to create and implement education policy and regulation and to distribute resources between education institutions.

District Brcko has passed a new law on education, including primary and secondary education and introduced a new multiethnic curriculum, thus creating a new primary and secondary school network.

This reorganisation of the education system did not entail decentralising the previous one, it merely redistributed the power of decision. Schools do not have any more autonomy, accountability or the flexibility to respond to trends in education, rather their traditional charge of role remains intact.



### *Involvement of social partners*

Entities are in charge of education policy. In RS decisions are made by the government via the Ministry of Education, and municipalities as a local political community. In FBiH this task is entrusted to cantons and follows almost the same sequence (government, ministry, municipality) as in RS.

In both entities (cantons in FBiH) prior to announcing an open competition, plan of students' intake is made. It is very often of formal character, depending on space and cadre conditions in schools, and interest of students.

If schools are to become more accountable and responsive to the local and regional community (developing recognised schools for certain professions on canton level and wider for instance) they will need to become more autonomous. It is also necessary to involve social and private economic organisations, councils and employment bureaus when making secondary school students' intake plan.

### *Funding*

The way education is funded is similar in both entities.

In RS, education is funded from taxes set aside in the municipality and entity budget. The entity sets the budget and distributes it, covering the salaries of teachers, investment and capital maintenance. The cost of materials for secondary schools is covered by the municipal budget.

In FBiH, funds from the cantonal budget cover teachers' pay and other costs at all primary and secondary schools and universities.

Cantonal laws and the law of RS allow schools to generate income from donations, legacies, gifts and wills and by selling products, services and goods.

Spending on education accounts for a big proportion of entity budgets (averaging almost 20% in FBiH and 15.6% in RS). However these resources are nowhere near enough to cover salaries (KM 350 – KM 600) and the costs of materials in schools.

## *2.4 Modernisation of the education and training system*

### *2.4.1 Structure and organisation*

#### *Entry requirements*

In both RS and FBiH, entry to VET school is not decided by entrance examinations. If the number of applicants is higher than the number of places available, selection is based on students' primary school marks. The number of places in RS is decided by the Ministry of Education, and in FBiH by cantonal Ministries of Education.

#### *Programmes and pathways (horizontal and vertical mobility)*

The curricula VET schools in RS are defined for 15 fields of work or 105 occupations.

In FBiH there are 21 types of technical schools where students can be educated for 58 occupations and 16 types of vocational schools offering 101 different occupations. Hence, 159 VET programmes

exist in regular schools, educating students for special vocational competency but without enough connection to practice.

Education in technical schools both in FBiH and RS ends in a final examination. VET schools in FBiH also require a final examination. This is not the case in the same school in RS, where a diploma is obtained after passing all exams in final school year.

VET education provides internal vertical and horizontal permeability. If a student wants to be transferred from one profession into another within the same educational profile (horizontal mobility) he or she has to pass a set of exams decided by curricula. The same rule is worth for transferring from one educational profile into another. In terms of vertical mobility, students' progress is dependent upon passing all the exams for the school year they wish to transfer into.

### ***Adaptation of curricula and teaching and learning methodologies***

Curricula in RS are regulated by the minister of education and in FBiH by cantonal ministers and are the same for all students. Curricula passed in 1994 are still in use in FBiH.

There are special VET curricula for students with mental or physical disabilities.

The Phare VET programme of 1998-2000 helped develop new modular curricula for six occupations. Modular curricula are more focused on vocational theory and practice and aim to motivate students and make them fit for work. These curricula also facilitate better horizontal and vertical mobility in education throughout BiH. Curricula for other occupations now need devising using the same methodology.

A second phase of VET reform began in May 2002. It aims to integrate VET into general secondary education. With this in mind, professional standards and assessment procedures will be developed as a basis for initial and continuing training including six new curricula for occupations, which will be chosen according to demand in the labour market.

The EC TAER programme for sectoral development underway since September 2001 is aimed at modernising all aspects of existing primary and general secondary education. Under supervision and in cooperation with the SAA, educational standards and a national core curriculum are being drawn up and models for teaching lessons developed, together with proposals for active learning methodologies and using new teaching materials and evaluation procedures.

On their own initiative, some schools' associations have begun modernising VET curricula – the Association of Medical and Technical Schools in FBiH, the Economic and Commercial School in Sarajevo and others - and since 2001/02, a module on "Democracy and human rights" is an obligatory subject in its own right in the third year of secondary school in all BiH schools. The project "Entrepreneurship for young people" funded by the Open Society Foundation of BiH and the Norwegian government is also underway in BiH. It is aimed at giving young people the basic concepts of entrepreneurship, and pilot schools have already been established in Banja Luka, Mostar, Sarajevo, Tuzla and Dobo.

### ***Development of education and occupational standards***

Within the framework of developing education, and by drafting and implementing objective criteria, the SAA is responsible for monitoring and producing information on student achievements (the quantity and quality of learning) in primary and secondary schools, the efficiency of the education system as a whole, its strong and weak points and its compatibility with that of other European countries.



So far the agency's performance has been unsatisfactory. Assessment has been developed and implemented for only two subjects in selected pilot schools (Bosnian, Serbian and Croatian languages and mathematics). However, the results of these tests should enable standards to be developed.

As well as the SAA, standards are also the responsibility of the education and teaching department of the RS (Republic Teaching Institute), and teacher training institutes of the cantons in FBiH. These two services monitor and assess students' knowledge. At present cooperation between these two agencies exists only for fourth and eighth class of primary school for the subjects of mathematics and local languages.

### ***Assessment and certification***

According to laws in both entities, assessment in schools should give marks from 1 to 5, where 1 is a failing and the final mark is based on the assessment during the whole school year (classification period). In the VET system, students who have failed in any subject cannot move up to the higher grade.

After graduating from a three-year programme at a craft school, students do not have the right to go onto higher education. To do so, they must do further studies to bring themselves up to the level of a four-year secondary school curriculum.

### ***Quality assurance and accreditation***

There is no special system for assuring the quality of a student's school education. For certain professions, a student's chance of progressing is determined by school marks. A worker who is a graduate of a three-year craft school programme, can advance in his or her profession by acquiring a master title (formerly known as a highly-qualified worker), which entails attending classes and passing exams according to the regulations.

### ***Developments in non-formal education and training***

There is currently no systematic approach to developing non-formal education in BiH. Nevertheless, it occurs informally in the following ways:

- the influence of the media;
- different activities of youth organisations (workshops, clubs, associations...);
- various programmes offered by teachers' associations (seminars, courses, summer and winter schools and competitions), employers' associations and trades unions;
- various programmes offered by local and international non-governmental organisations;
- the partnerships of schools with other educational and non-educational institutions in the country and internationally (schools' networks, student exchanges, education centres, professional associations, in the local community and in partnership with enterprises);
- internal qualifications and seminars in enterprises/institutions;
- private sector centres (foreign language schools, computer training and business programmes).

Information technology is increasingly used in this process, i.e. the Internet, data banks and information centres.

### ***Links between initial and continuing training, formal and non-formal training including accreditation of prior learning***

90% of population in BiH has completed some form of formal education. It is not obligatory, but attending classes is free of charge.

Initial education aims to provide the basic knowledge, skills and habits necessary to start work.

It is necessary to raise awareness of the need for more non-formal education and training and to improve its quality. The main reasons for this are:

- rationalising the provision of education rationalisation (finding ways for training outside the classroom, and helping to acquire the skills needed to keep up with fast technological change);
- finding forms of training for disadvantaged groups.

Adult education currently does not receive the attention it deserves. There has been no systematic innovation in programmes for adults for more than a decade, and what has been done has been the work of schools and extramural institutions with the help of international organisations and the non-governmental sector.

If the ties between initial and continuing education and training, formal and non-formal education and lifelong learning are to be strengthened, a reliable way of monitoring the labour market must be set up and a computerised information system created.

## ***2.4.2 Delivery***

### ***Innovations in the organisation of the learning process***

The class-based system is still the main system of learning.

Practical training is provided in school workshops and enterprises, but still only accounts for a small part of learning time.

Modular curricula are in use only in the pilot schools of the Phare VET programme (12 schools in BiH, and since 2001, 21 more schools in FBiH). In these schools, teaching methods are less traditional and priority is given to student participation and active methods of learning. Assessment of students is the result of their performance monitoring during each specific module. Students pass only on successful accomplishment of all assignments pertaining to a specific module.

In all schools, teachers plan and carry out their work focusing on students' needs and they are very often the authors of high quality teaching materials.

Team work, shared responsibility, cooperation with, and involvement of, parents and employers all form part of these programmes.

There is an urgent need to provide teacher training on the use of new teaching methods and equipment.

The first activities on introducing open and distance learning are now underway in BiH.

### ***Flexibility and adaptability of course design and delivery in VET schools***

There is a specific curriculum for every occupation (three-year course) and every vocational profession (four-year course). These are usually old-fashioned, too long and contain a lot of unnecessary detail. They need to be updated as soon as possible as part of VET school reform.

The theoretic basis of curriculum should be improved in order to boost general employability and provide the vocational qualifications employers need. Appropriate structure and methodologies for teaching programmes should be chosen with this in mind.

### ***Teaching and training staff – pre and in-service training, salaries, numbers and career development***

General subjects are taught by teachers with a university degree, vocational classes are taught by engineers who are university graduates and who are obliged to complete some teacher training on vocational and theoretical subjects. Depending on its type, training is taught by highly qualified workers who have attended five years of vocational school or teachers who have completed three or four years of university courses.

All these different kinds of trainers and teachers are expected to regularly improve their vocational knowledge. During the first two years, those with five years' secondary education and two to three years' university education have to sit a vocational exam. University graduates are required to sit a teacher training exam.

The career development of teachers is regulated by law, but the lack of resources means this does not occur in practice.

Salaries for teaching staff are paid from the cantonal budget by the Ministry of Education. Salaries are very low, a maximum of KM 600. Some schools have almost no resources to pay for materials.

The curriculum sets the number of teaching staff and their workloads. Depending on the subject, a teacher's workload varies between 18 and 25 classes per week. Class sizes are set at 30 students per group, meaning that one group needs 1.5 teachers, i.e. if school has 20 groups it will need 30 teachers.

### ***Modernisation of training infrastructure and equipment***

The reform of the education system in BiH has been supported by the Phare VET programme for secondary schools, and by the CARDS and EC TAER programmes - reform of primary and general secondary education and by Tempus III – the inter-university cooperation scheme. These reforms call for modernisation of infrastructure and training equipment on all levels. The pilot schools in the Phare VET programme have been supplied with modern equipment allowing them to deliver the new modular programme in reasonable conditions. However, there is still a long way to go as the schools for pre and in-service teacher training also need resources to buy new equipment.

The reforms give priority to the training of teachers at university and on all other levels and in all schools.

### ***Training to promote learners' personal development and for democracy***

The multiethnic nature of society in BiH make it a priority to strengthen democracy and promote respect for human rights, freedoms and diversity, developing mutual responsibility in accordance with the constitution.

School should be the place where people learn to respect human dignity, acquire the ability to think critically and learn about collective decisions and attitudes. With this in mind, the CIVITAS organisation has designed the curricula for a new teaching subject – "Education for democracy and human rights".

### ***Training for the unemployed including specific target groups such as the long-term unemployed, early school leavers, young graduates, the disabled and the Roma***

There is currently no system in place for training employed and unemployed adults, therefore no means of meeting the needs of the economy, the public sector or keeping up with technological change. There is no strategy for continuous learning as stipulated by the European Employment Strategy.

Only three training centres provide training for the unemployed in FBiH: the Computer Centre in Sarajevo, the Centre for Metalworkers in Gorazde, and the Centre for Building Occupations in Bihac. Training for the unemployed in RS is mainly carried out by the non-governmental sector, although the Employment Office of RS has started getting involved recently.

Situation in FbiH. The Sarajevo Computer Centre offers computer training for the unemployed, but its funding was uncertain for a long time. Few people are interested in attending the Centre for Metalworkers, as this sector of the economy is stagnant at the moment. Thanks to donations from Japan realised via the ILO, this centre is equipped with extremely up-to-date training equipment and has a capacity superior to country's needs. The centre in Bihac is funded by Switzerland and works well, but more than half of its trainees find work abroad. Until the end of 2001, all three centres were treated as resources for a single labour market covering the whole country and efforts were made to keep them within the framework of the State Employment Office and make them respond to the needs of the country as a whole. Responsibility for the centres was then transferred to cantons. Currently only the centres at Sarajevo and Bihac have a chance of survival, while the third centre has been unable to solve the problem of funding and faces closure.

Situation in RS. The Enterprises Development Agency (EDA) in Banja Luka provides a positive example of training for the unemployed and should be developed further. It was managed for the first two years by, and still receives technical support from, an international organisation/employment office from Geneva. The agency has appropriate equipment, modern classrooms – computer and teaching rooms with a satellite link – suitable for working in groups of up to 20 students. The agency works successfully with the private sector, the Employment Office, the Foundation for Development and Employment of RS, and international organisations specialised in training. Training, seminars and courses are realised according to modules worked out by Geneva ILO. The agency is actually licensed for these modules and tailored courses are put on in response to specific demand. For example, private printing firms in the Banja Luka region have expressed a strong interest in training in computer layout for the press and 75% of graduates of this course found work immediately after graduation. The course is worked out in cooperation with the EC Phare VET PIU Sarajevo.

The situation in District Brcko in adult education is unknown.

Systematic provision of adult education, targeted at the long-term unemployed, socially excluded groups and ethnic minorities, is not feasible simply due to the lack of resources. Contributions to unemployment insurance are so low that they hardly cover current needs. For more information on this issue, please see the chapter on employment policy.

### ***Training in enterprises***

There is no precise information on the amount or type of training that takes place in enterprises for employed people or new workers. There is a need for skills acquired in education system to be improved by further training in enterprises and such training should ideally be supervised and organised by employers.

In 2002 the Federal Employment Office earmarked funding worth KM 20 million for the education and training of unemployed people. One-tenth of this amount is intended for training in enterprises organised by employers and supervised by a special committee of the office. The RS has adopted a similar line through the employment office and with the help of the Foundation for Development and Employment of RS. From this year, the Employment Office of RS will be freed from the obligation to pay health insurance for the unemployed, which will become the responsibility of the Ministry of Public Health.

### *Training to promote the labour market and the social inclusion of disadvantaged groups*

There are no measures for labour market promotion neither are there systematic measures for the inclusion of socially excluded groups and the unemployed. One line of the new EU VET programme will focus on promoting and developing the labour market. One of many socially excluded groups (more details in chapter three) is a population of around 30,000 Roma<sup>16</sup> in Tuzla canton. 80% of their children do not go to school, 60% are illiterate, 90% have no health insurance and almost 100% are unemployed.

### *2.4.3 Participation in education and training*

As we mentioned earlier, there is no systematic provision of adult education for the employed or the unemployed. The beginning of one exists in the centres and via the special financial provision in enterprises mentioned earlier. Other starting points could be the experimental schools developed by the Phare VET programme for regular vocational education, as these are convenient resources for offering services to adults and the unemployed. This project is continuing as part of the EU VET programme, giving the opportunity to develop a system of institutions for adult education. This way, there would only be a need to set up special centres in public employment services for particularly disadvantaged groups. These schools also have the big advantage that they are authorised to certify acquired knowledge.

Non-formal education is left up to the market and the initiative of employed and unemployed people. Numerous non-governmental organisations provide different kinds of training in business management, computers and foreign languages. After finishing their courses, attendees receive officially accredited certificates.

The quality of knowledge acquired in regular education system is not generally in dispute. Nevertheless, seeing how a job seeker is unemployed for an average of three years in BiH before finding work, clearly their skills and knowledge can easily become obsolete during this time. This is especially true for unemployed people of over 40 years of age who spend an average of over five years between jobs.

## *2.5 Guidance and counselling*

In the post-war period, there is no computerised information system capable of giving an insight into employment trends, salaries, school and universities, their programmes and plans for development. This should be one of priorities for further system development. In RS the Centre for Career Guidance has been opened with donations by the German organisation AGEF.

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<sup>16</sup> "Roma access to education and health insurance in Tuzla canton", published in newspaper *Dnevni avaz*, 6 June 2002, OSCE.



The government of RS has financed the purchase of 1,500 computers for 300 schools and 30 universities, equipment worth around KM 2.5 million. On completion of the World Bank pilot project EMIS, schools in Banja Luka and Travnik have been connected to a computer network, and all primary and secondary schools in BiH are due to be networked by December and be connected to cantonal/entity ministries thereby creating a database.

Employment services have their own counsellors in each municipal office, providing basic information on the situation in the local labour market. They handle information on courses and funds for training and retraining. Unemployed people can get brochures with detailed information on demand. These services also play the role of mediators for official employment, pre-selecting job candidates and arranging interviews for them with employers. The employment services are unable to meet all the needs of the labour market, as only 30-40% officially employed people, or 15-25% of formally and non-formally employed, find a job this way. In RS (Banja Luka), 'Spektar', the first agency for mediation in employment opened recently and works closely with the regional employment office.

## ***2.6 Re-orienting the education and training system in line with the European Employment Strategy***

Training based on lifelong learning began in BiH 30 years ago, but it has never been developed in a systematic way. The availability of new methods using new technologies in any case makes updating essential and the adoption of the principles of lifelong learning as in the European Employment Strategy makes this the general approach to education and training.

Elements of this approach include:

- regular and periodic education and training;
- employment and employability.

Post-war conditions make the task of introducing lifelong learning more difficult as the country lacks the institutions and drive to turn the initial idea into a working system. There is unlikely to be progress without foreign support. The following are possible sources of support.

- BiH is already a member of the Stability Pact for south-eastern Europe. In April 2002, it joined the Council of Europe. Studies to determine its readiness to become a member of the EU are due to start very soon. With the help of these institutions and by teamwork, it should be possible to achieve a more stable society.
- A Phare VET project will begin transforming secondary VET education, starting with 12 pilot projects. Following the bridging programme, in June 2002 a second development phase started as the EU VET project. It is intended not only to further reform in secondary vocational education, but also in adult education and training, including training for public employment services so they can provide more efficient services to the labour market. This project will begin the process of transforming one of the key education segments.

In order to stay in work, both officially and non-officially employed people need some form of retraining approximately every five years in order to keep up with technological change. This means at least eight learning cycles during their working lives. Thus there are around 200,000 to 250,000 people<sup>17</sup> in need of training every year, equivalent to half the total number of university students, or

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<sup>17</sup> Total of employed (650,000) and unemployed (420,000), divided by five.

the same number of students currently included in secondary and university education. Training on such a scale cannot be carried out in an improvised fashion but should be provided systematically.

Regulations on unemployment and public employment services are neither coordinated amongst themselves nor are they in line with ILO conventions or regulations in EU member states. The partnership approach to employment is not regulated by law, although it is essential for quality communications between employer and the unemployed so that the skills of the unemployed may be adapted to the needs of their future jobs.





### 3. Recent developments in employment policy

Under the terms of the Dayton Agreement<sup>18</sup>, the state of BiH has the power: a) to formulate the foreign policy; b) to formulate the policy on foreign trade; c) to formulate the customs policy; d) to formulate the monetary policy; e) to fund institutions and pay foreign debts of BiH; f) to formulate the policy on immigration, refugees and asylum; g) to implement international and inter-entities policy and regulate criminal law, including cooperation with Interpol; h) to establish and operate mutual and international communications and regulate inter-entity transport; and j) to control air traffic.

In RS employment policy is decided at entity level, in FBiH it is decided by cantons.

#### 3.1 General outline of employment policy aims

All levels of state organisation are keen to reduce unemployment, generally seen as too high throughout the country. With this aim in mind, entities are striving to draw up plans for future development, based mainly on foreign investment and the growth of micro and small enterprises. The idea of reviving the former large-scale enterprises is largely discredited. Support for reviving the economy is expected to come from the private sector (especially the small and medium-sized enterprises, which are slowly becoming the main agents of economic activity). A boost is also expected from the elimination of customs barriers with neighbouring countries and the building of a new freeway on corridor 5c. However the percentage of GDP generated by the private sector (43% in RS and 32% in FBiH<sup>19</sup>) is still not enough to have a real impact on the economic development of the country.

Recognising the fact that measures adopted by one entity in isolation will not be enough to find a way out of the crisis, the Ministry of Foreign Trade and Economic Relations, as a part of the Ministry Council of BiH, has drawn up a development strategy for BiH up to 2004<sup>20</sup>, which mainly consists of the measures mentioned earlier. Realising that these measures alone are insufficient, the ministry is preparing a strategy to fight poverty in cooperation with the World Bank, hoping to bridge the deep social divide in the country. Now that BiH is a member of the Council of Europe, it is also expected that a study of competencies will be made on how to close the gap with the EU. All this goes to show two things: (1) the road to achieving a stable macroeconomic climate with high levels of employment is still a very long one and (2) not enough is being done to tackle the problems. This also applies to the process of economic, social and political reforms which need to be speeded up and to be implemented simultaneously.

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18 See article 3, item 1 of the Constitution (Annex IV of the Peace agreement).

19 Source: *Transition report 1999*, EBRD, 2000.

20 The full name of the document is 'Entrepreneurship Association' (Global framework of economic development strategy in BiH 2000-2004), Sarajevo, 10 May 2001.

In both entities, the biggest increase in employment in the post-war period was caused by donations<sup>21</sup>, which created demand for goods and, later, labour. Other important measures for employment support were loans from USAID and the World Bank mainly obtained by entity governments under IDA loan conditions. Some target groups received a certain amount of credit, mainly as support to manufacturing, agriculture or existing businesses, and these were conditional on generating employment. More recently, such credits are also offered by commercial banks, but their effects are still unknown. Worth mentioning is the fact that employment offices in both entities provide financial support for job creation and retraining. The Foundation for Development and Employment in RS is engaged in similar activities, and has also started a project to help demobilised soldiers in RS find jobs, offering them not only financial support but also counselling.

### 3.2 *Adaptation of the legal framework*

Many regulations on employment and education differ substantially in two entities and District Brcko. The war created three economic areas that are now trying to integrate, driven by pressure from foreign representatives and the need to bring them in line with the relevant regulations in the EU. Domestic political actors are not motivated to work for economic integration. For this reason, the EU is funding a project called 'Single Economic Space' aimed at mapping the differences and suggesting which fields should be made more uniform and which new state institutions need to be set up.

Public employment services in the country are still separate operations. In RS, the service was only established in 1993<sup>22</sup>, whereas in FBiH the pre-war Employment Office of BiH just continued its work. A later decision of the High Representative for BiH<sup>23</sup> and its acceptance by the parliament of BiH resulted in the establishment of a Federal Employment Office. It is not known how this matter is resolved in District Brcko, which is a separate administrative unit of BiH<sup>24</sup>.

Employment and social policy are decided by the cantons in FBiH, who each have their own regulations about employment regulation and social security for the unemployed. They are also responsible for the creation of public employment services, which took over the property and staff from relevant units belonging to Federal Employment Office of BiH. This is responsible for coordinating public service structure within the administrative-political organisation of the entity. The question of how well public services function in the less developed cantons is still unresolved, due to the underdeveloped system of mutual support to disadvantaged groups such as the unemployed.

The High Representative is expected to announce a decision on extending the work of the Employment Office of BiH and distributing its property and staff<sup>25</sup>, but the state parliament has yet to draft the regulations on its functions. For the time being, public employment services at a state

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21 Between the Dayton Agreement and mid 2000, foreign investment in BiH totalled KM 5,300 million or US\$2,900 million. Direct investments in the economy (agriculture, energy, credits to the economy) accounted for 25% (KM 1,300 million), investment in infrastructure (housing, transport, water supply) 35.1% (KM 1,900 million), public sector (social benefits, education, public institutions, foreign debt servicing) 19.5% (KM 1,000 million) and other purposes 20.4% (KM 1,100 million).

22 This was created by the Law on Employment and the Rights of the Unemployed (Official paper of RS No 25/93).

23 The decision concerning the Law on Employment Regulation and Social Security for the Unemployed (Official paper of BiH No 55/2000).

24 The district was established by the High Representative (Official paper of BiH No 9/2000).

25 The decision on law and property of the Employment Institute of BiH (Official paper of BiH 56/2000).

level only deal with international affairs. Implementation of ILO conventions, and particularly implementation of proactive policy on the labour market in accordance with EU practice, is an issue that needs to be tackled in the near future.

### ***3.3 Governance and responsible bodies***

The organisational structure of public employment services is the result of the administrative-political organisation of the country, based on the Dayton Agreement. In FBiH organisational structures are very decentralised, while in RS they are highly centralised. The former approach tends to neglect the development of the suburbs, while the second tends to disregard underdeveloped areas and disadvantaged groups such as the unemployed. With such opposite approaches, it is hard to make compromises for mutual development support.

The Employment Office of RS is under the direct responsibility of the Ministry for Affairs of Soldiers, War Victims and Employment and has a special administration board consisting of the social partners.

The Federal Employment Office is a public institution under tripartite management of employers, workers and government, but cantonal public services are under the responsibility of the Ministries for Work and Social Policy. Here cooperation with social partners is still in its infancy.

In RS the Employment Office is funded by a 1% levy on income, of which 0.5% is paid by employers and 0.5 by the employed. This is the only source of revenue. There is no active employment programme on an entity level, so that the funds only cover contributions for health insurance and unemployment benefit. In FBiH the levy on income is 2.5% and these funds are shared out between the Federal Office (30%) and cantonal public services (70%).

### ***3.4 National and regional employment services***

The single labour market, which functioned in BiH prior to the war, had considerable potential for implementing active employment policies, but during the war this was transformed into three closed, ethnically segregated labour markets.

#### ***3.4.1 Structure and organisation***

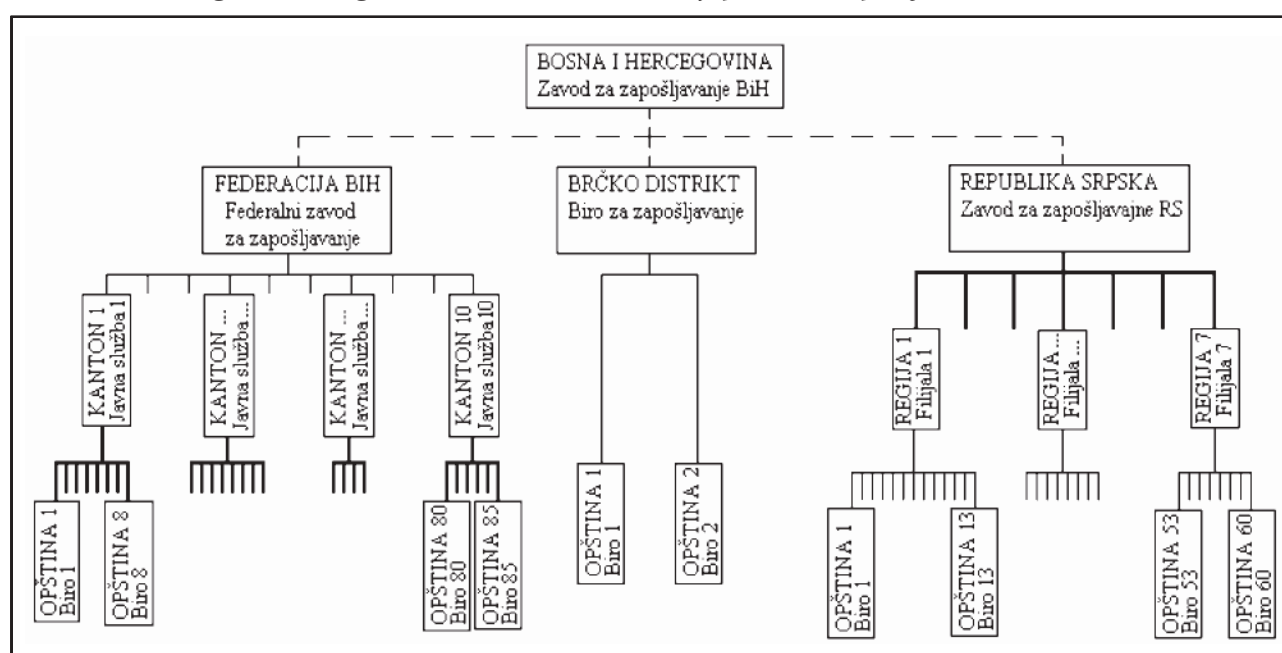
The current organisational structure is shown on figure 3.1. Employment offices exist in 147 municipalities, of which 85 are in FBiH, 60 in RS and two in District Brcko. The same laws regulate the labour market throughout the RS and the office has six branches covering precisely chosen areas where current policy is implemented. A federal law set up the Federal Employment Office in FBiH, which is responsible for making employment policy, and 10 cantonal laws set up cantonal employment services, implementing cantonal policy. District Brcko has two offices, one of which serves the former FBiH area and the other, the former RS area. By law, this is still not a single market, but rather an area where laws from two entities are in effect.

### 3.4.2 Delivery of services

Before the war, mediation in employment was the task of the public employment service and youth and students' unions. Under this arrangement, unions had the right to intervene only in short-term students employment. Otherwise the public service acted as a monopoly and employers were obliged to report every job vacancy to it.

This state of affairs ended in 2000, leaving the space for employment mediation open to other organisations registered with the responsible body. Public employment services are still the only organisations that can register the unemployed, as they are responsible for unemployment benefits. They also have a duty to implement passive and active measures brought in by laws and in accordance with their financial status.

Figure 3: Organisational structure of public employment services



#### 3.4.2.1 Passive services

Passive measures of public services are registration of the unemployed and the payment of benefits, health insurance and the costs of treatment for the unemployed.

The right to benefits and health cover is only for people who have worked for at least eight months in the last 1.5 years, and for whom unemployment insurance has been paid. These rights can last 6 to 12 months depending on the length of previous employment, and the amount of financial support is approximately 35% of the net salary during the previous three months. For the period of entitlement, the recipient will also have health insurance paid according to a legally determined percentage. The average duration of benefits is nine months, and the average amount, KM 160. Only 1.5% of the registered unemployed are entitled to it. As the remaining 98.5% do not enjoy this right, this expenditure is not a heavy burden on the budget available for public services.

The right to health insurance for the unemployed is regulated by law, but the exact cost and who has to pay for it are not uniformly determined. Until the end of 2001, public employment services paid these costs, although users of that money were not previously insured and although the law did not

make any provision for this. Those costs accounted for 35% of total public employment services' funding. Starting from 2002, the obligation to pay these costs in RS has been transferred to the entity budget, and in FBiH this matter is soon to be resolved by federal i.e. cantonal laws. This will provide more leeway for active employment measures in both entities.

Registering the unemployed is done at the request of the unemployed provided they can show relevant documentation. As well as being used in employment, for statistical purposes and for informing responsible bodies and the public, registration is also necessary in order to claim benefits and for other purposes. Registered persons are obliged to actively seek work and inform the office every two weeks of the results of their search. Failure to do so twice in a row leads to exclusion from the register.

### 3.4.2.2 Active services

Of a total of 13 active measures in use before the war, only the following remain: employment mediation, support job creation, retraining and additional training of the unemployed and job seeking advice.

*Employment mediation.* Mediation can be done by all enterprises registered for that purpose.

**Table 2: Annual demand and supply on the formal labour force market (in thousands)**

Annual registered demand (T)				Demand satisfied by PES (T')		
Year	FBiH	RS	BiH	FBiH	RS	BiH
1999	14.4	11.4	25.8	13.0	9.6	22.6
2000	12.3	10.3	22.6	15.6	9.5	25.1
2001	10.0	3.6	13.6	13.3	5.5	18.8
Index, 01/99	0.692	0.317	0.527	1.022	0.575	0.832
Totally registered supply*(PP)				First time job seekers* (Pn)		
Year	FBiH	RS	BiH	FBiH	RS	BiH
1999	263.0	146.5	409.5	168.5	87.9	256.4
2000	265.4	149.3	414.8	168.1	91.5	259.7
2001	273.3	154.0	427.2	162.8	94.0	256.8
Index, 01/99	1.039	1.051	1.043	0.966	1.069	1.002
Annual supply influx (Pg')						
Year	FBiH	RS	BiH			
1999	78.8	45.5	124.3			
2000	77.6	47.6	125.2			
2001	79.8	36.0	115.8			
Index, 01/99	1.013	0.791	0.932			

Note: \*Monthly average of registered people.



When taking on new workers, employers usually choose their relatives and friends as a way of avoiding paying taxes. The supply of labour far exceeds demand as highlighted in table 2 showing public services mediation<sup>26</sup>.

Official labour force demand stands at only 20,000 per year with a tendency to decrease. The supply of labour exceeds supply by around 20 times with the tendency to increase. The number of people joining the unemployed register is six times higher than the number of official job vacancies, suggesting that the chances of solving this problem are limited.

This goes straight to the heart of the problem – the labour force demand is too low. In such circumstances, there is little that public employment services can do. The number of young people joining the job market every year is just too high.

In such a situation, support measures should certainly not be neglected, but it is even more important that large macroeconomic projects are undertaken to reactivate the economy and generate employment.

*Support to job creation.* Since 1996, some capital has been made available to micro-credit organisations and banks in order to support entrepreneurship and employment, with the help of the World Bank and entity governments. During the micro-conference of the World Bank held in Sarajevo in July 2000, it was revealed that 18 newly established micro-credit organisations had made around 72,000 loans worth KM 195 million in the period of 1996-2000. They were also involved in creating 28,000 new jobs and helping to sustain a further 43,000 jobs.

Commercial banks have recently begun offering the same kind of loans, and numerous micro-credit organisations offer limited support. Unfortunately, results are far below expectations as shown by the continuously growing number of unemployed. In 2001, the number of employed people dropped compared to the previous year. At the end of 2001, the Federal Employment Office was offering loans on very favourable terms credits for supporting new jobs. Demand for these loans is high at around 10 times the amount of loans on offer as the credit line consists of only KM 20 million. Two years on, a similar scheme has been launched in RS, although its effects have yet to be seen.

*Support to retraining and additional training.* As a part of a transformation of the banking system (which included the suspension of the Money Traffic Office in FBiH and the Social Book-keeping Office in RS), the EU has funded a project aiming to generate 2,000 extra jobs. The Belgian Bank Academy (BBA) carried out this project, organising training courses, which employed another 250 people. In 2001, donations were used to set up a pilot school for adults in Velika Kladusa. The school has a capacity for 800 students studying languages, information technology and business and 30% of trainees find work after their training. The Employment Office of RS has developed a programme to promote gifted young people by supporting university associate professors, by paying their salaries, taxes and contributions.

Starting from January 2002 in FBiH and from June 2002 in RS, employment offices can offer grants to enterprises that train and employ new workers.

Numerous foreign and domestic non-governmental organisations and high schools provide some form of entrepreneurship training for unemployed people. Nevertheless, there is no network of technological parks or incubators to provide support to new businesses, nor is there any adequate system of facilities to stimulate their development. This is especially true of the informal economy which according to some indicators, accounts for one-quarter of economic activity.

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26 Data source: a) *Zavod za zapošljavanje BiH: Razvoj tržišta rada u BiH*, Sarajevo, 2001, p. 34; b) *Monthly Bulletin of Statistics*, XII/2001, BiH Employment Service, Sarajevo, 2001.

*Disadvantaged groups.* The absence of quality macro-economic measures capable of supporting the labour force demand has led to the creation of the following disadvantaged groups<sup>27</sup>:

- around 250,000 graduates or 60% of the total unemployed;
- around 100,000 refugees and displaced people of working age;
- around 40,000 unemployed above 40 years of age;
- around 10,000 people with special needs;
- around 6,000 adult Roma of working age without any qualifications.

Apart from primary schools, where education for people with special needs is usually available, there are almost no other support measures for their employment. A rare and encouraging exception to the rule is provided by the Employment Office of BiH. It has helped set up a small enterprise for producing plastic wrapping materials in Bihac, which employs 10 blind and partially sighted people. There is also an organisation of dystrophy sufferers in RS which is engaged in the printing business and provides a living for its members and salaries for other staff involved in commercial dealings.

*Career guidance and counselling.* This kind of services were available until the early 1980s but do not currently exist. A career guidance centre for young people has recently opened in Banja Luka in RS. The resources for providing this service in the public sector are limited and the needs are quite high. Once a system for gathering information is in place, it will be easier to restart this kind of service which plays an important role in preparing young people for work.

Cooperation with employers traditionally exists as a measure of employment support. Now that employers no longer feel themselves under an obligation to provide information about their workers' training needs, an aware campaign will be needed. In this respect, the in-service training organised by the BBA in Zenica-Doboj canton (FBiH) and the region of Doboj (RS) could serve as a model for the whole country.

### ***Capacity-building in public services***

Public employment services in the country employ 470 people (190 in RS, 280 in FBiH, those from District Brcko are included in the totals for entities). The level of staff qualifications is satisfactory but there are few young people on the payroll.

All offices are equipped with computers, which makes keeping records and processing statistical data easier. In three cantons of FBiH, the information system is automatic, and the others will become automatic as soon as resources permit. However a fully networked system does not exist in either FBiH, or in RS, so producing statewide data is difficult. Moreover, the existing system does not contain the employers' record or labour force supply, so intermediation is done in a traditional way.

Working space is very unsuited to modern mediation and communication with clients. Some offices have their own websites, but they are not designed for job seeking or for putting job seekers in touch with potential employers. There is no database providing information on vacancies nationwide so the labour force tends only to respond to local demand.

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<sup>27</sup> Disadvantaged people are unemployed people registered with the Employment Service, who have been looking for work for more than 12 months.

### ***3.4.3 Monitoring and evaluation of activities***

Employment offices publish information on unemployment monthly and information on trends in entities and nationwide are published quarterly. In addition, twice-yearly annual reports and plans for the following year are submitted to the Ministries of Work, Employment and Social Issues. The offices also occasionally provide these ministries with proposals for improving the situation. These proposals are rarely accepted, probably due to other, more important needs.

Work of bureaus in municipalities, cantonal public services and their region branches, entity offices and the Employment Office of BiH are constantly exposed to public scrutiny. Every time new information is published - at least once monthly - it is widely reported and analysed in the media.

With the exception of the ministries and corresponding governments, the other social partners are not usually included in analysis of the performance of public employment services. This is the result of abandoning the concept of tripartite public service management (with the exception of the Federal Employment Office) and failure to follow ILO conventions.

## ***3.5 Preparation of employment services to contribute to the implementation of the European Employment Strategy***

There are currently no organisational preparations for implementing the European Employment Strategy at any level of state. The state does not provide any social or regional funds to support disadvantaged groups or areas. The main obstacle to more active employment policy measures is the lack of funds. Annual spending on employment measures comes to around KM 30 per capita. This is a very small amount in a country, which suffers from the highest unemployment rate in Europe. Contributions for unemployment insurance are 1.3% of salaries for the whole country (1% in RS and 1.5% in FBiH), and this barely covers costs of health insurance, financial compensation and administration in public employment services.

Nevertheless, certain activities have been undertaken on entity level (and by cantons in FBiH), leading to measures based upon four of the pillars of the European Employment Strategy. Thus so far four of a total of 22 measures required by the European Employment Strategy are being systematically applied. These are:

- financial support for job creation;
- financial support for retraining and in-service training;
- training for entrepreneurship, micro and small business;
- training for job seeking.



## 4. External support to VET reform

### *Assessment of external support to VET reform (especially from the EU)*

The European Commission earmarked funding of €3.5 million for the beginning of VET reform in BiH. This reform took place within the framework of the Phare VET programme from mid 1998 to 2000, when additional funding was provided for bridging to a new project. This work included 40 experts and key actors from different institutions in BiH.

The Phare VET programme consisted of three components:

- 1) formulating a strategy for coherent and realistic reform of VET schools;
- 2) curriculum development and in-service teacher training; and
- 3) education and training aimed at helping refugees and displaced people return to Una-Sana canton and the western part of RS.

A Green Paper, later transformed into a White Paper, laying out the strategy for VET reform, helped achieve these three components. Curricula for six occupations (carpenter, tailor, electrician, cook, baker and business technician) are experimentally implemented in 12 pilot schools in BiH. Since the school year 2000/01 these programmes are in experimental use in 21 more schools with modular curricula.

The Phare VET programme, involving drafting a VET schools' development strategy, implementing modular curricula in schools, organising courses to facilitate the return of refugees and displaced people, represents the EU support to VET reform in BiH. This reform should enable normal horizontal and vertical mobility of students and free movement of job seekers in BiH and further afield.

A new project called EU VET, part of the CARDS programme, worth €2.4 million, began on 7 May 2002. Due to last until 2004, it will provide support for a modern flexible and high quality VET system capable of responding to labour market needs. The new system will be integrated with primary and the general education system as well as with higher education based on lifelong learning principles.

The programme consists of the following components: 1) developing special training for adults and young people including the unemployed and displaced people (after secondary school), based on labour market needs; 2) continuing VET reform and facilitating its integration in the general education system, including developing additional vocational programmes in secondary schools for regular students, occupational standards and assessment procedures as a basis for regular and additional education; 3) developing new standards-based curricula with a special accent on the labour market, and obtaining technical help for developing general and continuing VET for adults (lifelong learning).

*Lessons learnt from external support:*

- drafting modular curricula;
- implementing modular curricula preceded by in-service training of teachers;
- preparing school development plans, identifying needs and listing priorities;
- including parents and the local community in school activities;
- organising and delivering interactive learning;
- assessing students according to curriculum and interactive learning.

These experiences are very significant and should be used as a guide by the relevant bodies in entities and cantons in future reform. However, successful implementation is dependent upon adequate funding so in the current situation, swift implementation is unlikely.

In spite of this, some initiatives are being implemented. On the initiative of the Federal Ministry of Science, Culture and Sport, 21 VET schools have introduced training based on the new modular curricula for specific occupations. In addition, some schools training students in sales techniques have begun drafting new modular curricula for this occupation.

More and more attention is being paid to teacher training, with a special emphasis on using modern methods, active learning and assessment of acquired knowledge. It has been shown that these methods give better results than the more traditional ones in use until now such as lectures, conventional assessment, questions and answers in class, doing homeworks or tests.

## 5. Conclusions

The conditions for education, training and employment in the post-war period as well as seven years' work on reviving the economy and creating new jobs present difficult challenges. The efficiency of the vocational education system is mainly dependant on the ability of the economy to transform itself in line with market needs. For this reason these conclusions will also present basic measures for revitalising the economy as these could be the source of synergy for transforming the education and training system for adults. Three groups of problems need resolving in order to achieve a healthy and effective system of education: problems in the education system itself, problems in the labour market and problems in reviving the economy.

The **education system** as a whole, and the vocational training system in particular, should be brought in line with those in the rest of Europe, thus opening up the European labour market to the people of BiH and vice versa. The reform has begun in the secondary education system, but is proceeding very slowly. No uniform systems for acquired knowledge certification, or for accrediting training organisations have been developed so far. There is no single, national institution to oversee the efficient working of the education system and the labour market and tackle the issue of access for disadvantaged groups and regions.

The main obstacle to progress is the effort of political parties to keep control over the education system, while the interests of their own citizens take second place. The second obstacle is the lack of funds for developing specific education programmes and institutions, such as those for people with special needs.

Further transformation of the education system requires the following actions:

- a) the continuation of the EU VET programme: at least one component should focus on setting up an adult education system both within VET schools and as separate centres such as schools for special needs;
- b) providing encouragement and financial support for developing flexible forms of education such as distance learning through the establishment of training centres for adults;
- c) setting up an institution with technical and political responsibility for education and the labour market, including their coordination with economic needs and those of the education system.

In BiH the **labour market** is divided into three, and within FBiH it is further subdivided into 10 regional markets. Some of these regions are too small and their economies are too weak to allow the labour market to function properly. By the same token, their ability to generate finance through taxation is too limited to fund proactive employment measures. No consistent employment action programmes exist at entity level, even less so at national level.

The main obstacle is the unwillingness of the authorities to make jobs in their area available to all, regardless of whether they are local residents or not. This problem cannot be solved without the help of the international community, and the work of the EU VET could be the first step in this direction.

Thus it is clear that the fragmented labour market must be reintegrated into a single, unified whole. In order to do so, the following actions are needed.

- a) Conducting a comparative study to see how labour and education law could be brought in line with ILO conventions and European good practice. The results of this study should be used to update legislation and reorganise public employment services. This should include a more streamlined approach to setting up a new institution in charge of funding and carrying out employment action programmes and developing the principle of partnership in managing the labour market. The active contribution of the national coordinator and representative of Geneva ILO in Sarajevo in working closely with the Ministries of Employment in both entities and with employers' associations and trades unions representatives, has proved a great help in this process, but the transformation needs to go faster.
- b) Setting up a national social and regional fund not only to provide support for education and employment, but also to match funding from the EU. The institution mentioned in the previous point should be in charge of managing these funds.
- c) Developing measures to legalise the grey market, starting with urbanisation (providing basic services), integrating it into the tax system and providing financial support to micro business projects. This also includes promoting long-term employment and attempting to create new jobs by shortening working hours, including intermediation.
- d) Increasing funding for a computerised information system on the labour market which should be connected to the European network. An integral part of that information system should be a database on possible occupations and training centres, trends in economic development, salaries and employability after graduation.
- e) Increasing funding for training centres and training programmes for young unemployed and long-term unemployed people.
- f) The existing four measures for employment support in line with the European Employment Strategy should be further developed, and all 22 measures should be implemented, in order to sustain present employment levels and even improve them.
- g) The principle of partnership at all levels of state organisation (from local to regional) should be strengthened.
- h) Space and equipment in existing offices should be modernised to meet a growing need for intermediation.
- i) Employment intermediation should adopt a marketing approach, including in-service training of employees of the employment services in intermediation management. Introducing information systems in offices provides good opportunities for this kind of intermediation.