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Tackling Youth Unemployment in Bosnia and Herzegovina: My Generation's View

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We are part of a generation that has become the record holder for the highest youth unemployment rate in Bosnia and Herzegovina (BiH) ever. In 2013, there were 421,000 people aged between 15 to 24 years, of which 49,000 were employed, 70,000 unemployed and 302,000 remained inactive (within and outside the education system). The youth unemployment rate stood at 59.1% and the employment rate at a low 11.6%. What are the causes of this situation and do we have a chance for a normal life?

Even after graduating nobody wants us in the labor market. The first problem is available job positions – they require a different education than the one we have. The second problem is the required experience - we have no practical knowledge. The third problem is the economy – there are no new jobs. If government subsidizes the cost of our internship for about a year, the employer is looking for new cheap interns after 12 months. Signing an employment contract is extremely rare. Employed young people mostly have low-paid fixed-term contracts and usually work in jobs outside their profession or in lower qualified jobs. The society is therefore continuously losing money invested in education and employment services. We lose on every young person who is unemployed, because he or she does not create new value. In turn, there are no new taxpayers to support the public sector and pensioners. As a result, the economy is not developing because we cannot afford apartments, cars, fuel, household appliances, vacations, etc. The European Union has called us the "lost generation".

For BiH there are no easy short-term solutions or models that can be simply copied from other countries. We need active engagement and partnership among government, business and academic sectors. In this essay we have set three goals. By fulfilling them, we have a chance to reduce youth unemployment in BiH in the long term and contribute to the creation of new jobs.

The first goal is the reform of the education system, which includes:

- Practical training at all levels of education;
- Relevance of educational programs for the labor market;
- Mobility of students and teaching staff; and
- Monitoring and measuring the results of educational institutions.

There is a complete lack of practical knowledge in our education. At the level of secondary education there is outdated dual education, where students do apprenticeship that does not correspond to modern businesses. At the level of higher education there is almost no link between business and academic sectors. Young people find themselves in an ungrateful situation in which they are unable to acquire work experience because they cannot even land their first job to acquire experience and skills, and in turn, they cannot find subsequent jobs because they do not have work experience. Therefore, it is crucial to build an education system that has a strong relationship with SMEs as drivers of economic development of a country. What is needed is a commitment from companies and preferably whole

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sectors. The countries with the lowest youth unemployment rates, Germany and Austria, have traditionally well-developed dual education and strong linkages between business and academic sectors. Apprenticeships and work-based learning ease the transition from education and training to work. Young people in these contexts get theoretical training, but at the same time are already parts of a company, allowing them to get in touch with the labor market much sooner.

At the level of secondary education, all schools should operate on the principle of dual education. Curricula should be designed for students to spend half of the time in the classroom and the other half doing apprenticeship in SMEs. At the level of higher education, a portion of ECTS points should be obtained through mandatory summer internships. To incentivize SMEs to participate in the creation and implementation of apprenticeship and internship programs, the government should offer tax cuts as well as contribute to the cost of programs. Additional incentive that government can offer is subsidizing payroll taxes for candidates that companies decide to employ after they have finished these programs.

In BiH, there is a trend of accumulating unemployed people of certain professions like social sciences, while the professions with a deficit in skilled workers, such as IT staff, are neglected. This is the consequence of the lack of labor market analysis prior to making a policy for student enrollment in academic institutions. For years, the curricula are created in accordance with the expertise of existing educators and their required teaching hours, rather than the needs of the labor market. The solution is establishing a Research Centre Institute for Education and the Labor market. Analysis made by such an institute should be legally accepted as recommendations for student enrollment policies and curricula creation. This is the way to achieve the relevance of education for the labor market and to avoid the accumulation of just any profession.

Young people in BiH have almost no opportunity to participate in exchange programs that have a positive impact on thinking and the development of proactive and independent behavior. It is a way to get acquainted with modern developments outside of BiH, where the rooted belief is that personal commitment cannot bring success because of corruption. Young people who grow up in this environment do not develop skills in areas such as working in a team, taking responsibility and making important decisions all of which are necessary for employment. The solution is joining the EU Erasmus+ program, which is the largest program that promotes the mobility of young people in Europe. BiH is only at the first of three levels of involvement. The concept of mobility has been extended from education to work experience. Around 35,000 businesses welcomed Erasmus students in 2011-12. The majority - almost 80% - of students did their placements at SMEs. There is a need in BiH to speed up the process of establishing a national agency for the Erasmus+ program so students can truly make use of all its benefits. The program should be strongly promoted among students to encourage them to participate. Labor policies should ensure that the migration of a young worker becomes an opportunity for the economic and social development of both the country of origin and destination. In this field it is necessary to intensify the learning of foreign languages at all education levels.

The poor state of education is compounded by the complete lack of responsibility of those working in educational institutions. Nobody monitors their effectiveness in preparing young people for their future jobs, or such measurements bear no real consequences. It is necessary to introduce clear criteria for assessing the performance of educational institutions. There must be incentives for good and sanctions for poor performance.

The second goal is affirmation of youth entrepreneurship, which includes:

- Developing and strengthening the awareness of young people of self-employment;
- Providing financial and mentoring support for start-ups launched by young people; and

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- Integration of entrepreneurship entrepreneurial education at all education levels.

BiH does not have a developed tradition of entrepreneurship, especially among young people. They are completely discouraged to take initiative in creating jobs. The society looks upon entrepreneurial endeavors with great distrust. It is clear that without self-employment, in the economic situation that exists in the country, there will not be a significant reduction in unemployment. Young people need to begin to look at entrepreneurship as an opportunity to gain independence and implement their ideas. The solution is to promote entrepreneurship as a desirable career choice among young people using positive examples, possibilities of financing start-ups by the government and other forms of support. National, entity and cantonal budgets should provide significant amounts of money for financing youth entrepreneurship including mentorship in the first stages of business. There should be funds for improving existing and developing additional business infrastructure, i.e. business incubators and technology parks for start-ups.

Particular attention should be paid to entrepreneurial education. Although there are some sporadic activities aimed at integrating entrepreneurship education in some schools and universities, there is no systematic and coordinated approach to the introduction at all education levels. At the state level there is the Strategy of Entrepreneurship Learning in BiH education systems (2012-2015), but very little is carried out and nobody questions its implementation. Entrepreneurial education is not only learning about entrepreneurship, but also teaching students entrepreneurial competencies, developing an entrepreneurial spirit and behavior, that will enable young people to take a proactive approach to their own career and life. Also, government and nongovernmental organizations should not neglect informal entrepreneurial education.

The third goal is improving the business environment, which includes:

- Reducing labor taxation and fighting against the gray economy;
- Simplification of regulations regarding business and access to financing;
- Alignment of strategic documents at all government levels; and
- Active role of public employment services.

The GEM research has shown that one of the most discouraging condition for an entrepreneurial environment is government policies. A key feature of the tax structure in BiH is significant taxation of labor, and a consequence is growth of the gray economy. In Federation of BiH the overall rate of social taxes on gross salary amounts to 41.5%, with an additional fixed cost of water charges and fees for natural disasters on a net salary. In the Republic of Serbs, the rate is 33% but the tax base is broader. These taxes are among the highest in the world. The solution is to reduce the taxation of labor in the shortest possible time. That would reduce the gray economy and have a positive result on business sector. An end should be put on the gray economy using reorganization and strengthening of inspection services. A government's job is to enforce the legal way of doing business. It is time to apply zero tolerance for failure to pay taxes on any basis.

Doing Business Report for 2014 puts BiH on an unenviable 131th place from 189 countries. The research took into account ten categories. These are results for BiH: 174th in starting a business, 175th in dealing with construction permits, 164th in getting electricity, 96th in registering property, 73th in getting credit, 115th in protecting investors, 135th in paying taxes, 107th in trading across borders, 115th in enforcing contracts and 77th in resolving insolvency. In 2014, BiH ranked lower in seven categories compared to 2013.

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The solution is simplifying procedures related to business. We need a guillotine of regulations for all ten categories. It is also necessary to establish incentive funds for start-ups, as well as for fast-growing companies - "gazelles". Particular attention should be paid to agriculture, production and the IT sector.

Another problem holding back the development of the economy in BiH is inconsistency of strategies and action plans for the development of SMEs between state, entities and cantons. Each level of government meets its goals of economic development, which are not in accordance with the goals of higher levels and do not contribute to the balanced development. The solution is in the horizontal and vertical harmonization of strategically relevant documents. Vertical alignment means harmonization of strategies and action plans of cantons with entities, and entities with the state. Horizontal harmonization represents a consolidation of the strategic documents for the economy at the level of each canton because they have several documents which regulate the economy.

Public employment services are also a part of the business environment. They need to have a more active role in carrying out their responsibilities. Their tasks have been reduced to registration of unemployed people and providing them with financial compensation. Advisory role is completely ignored. The solution lies in reengineering this process and system. There should be mobile teams intensively looking for open positions on the market, and teams who are solely responsible for advising and informing unemployed people.

The goals that we have set in this essay are the reform of the education system, affirmation of youth entrepreneurship and improving the business environment. By implementing the solutions that we offered, the long-term results will be eliminating barriers for creating new jobs, maintaining existing jobs and increasing youth employment. The key is to create a growing economy and to prepare young people for the labor market or self-employment through suitable and relevant education, entrepreneurial education and international exchange programs.