

► COVID-19 and the World of Work  
**Assessment of the Employment Impacts and Policy Responses**

# BOSNIA AND HERZEGOVINA



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Covid-19 and the World of Work

# **BOSNIA AND HERZEGOVINA**

Assessment of the Employment Impacts and Policy Responses

1st edition  
14 July 2020

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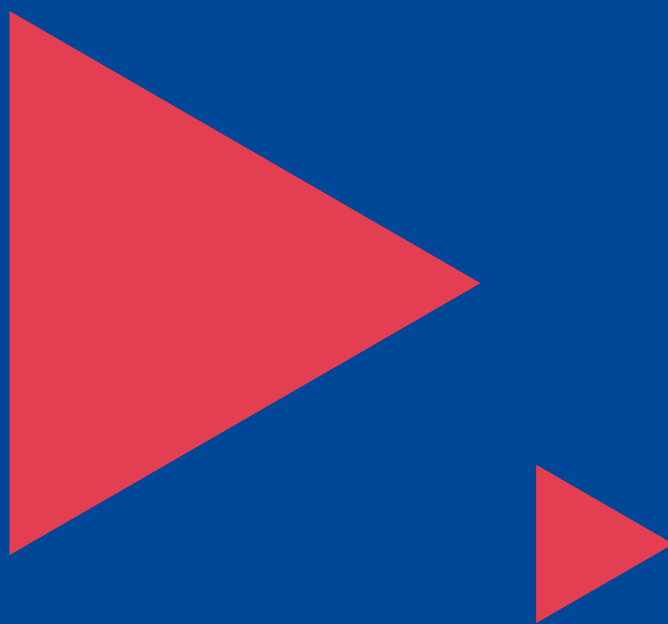
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## ▶ Key messages

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The decline in working hours during the third quarter (Q3) was equivalent to the loss of 170,000 full-time jobs. According to the ILO's "nowcasting" model, which tracks declines in working hours resulting from lay-offs and other temporary reductions in working time, working hours in Bosnia and Herzegovina declined by an estimated 20.3 per cent during the second quarter and 16.2 per cent during the third quarter of 2020. The latter reduction is equivalent to the loss of approximately 170,000 full-time jobs (assuming a 40-hour working week).<sup>1</sup> During both quarters, Bosnia and Herzegovina registered losses higher than the average in the six Western Balkan economies, by 3 and 4 percentage points, respectively (Section 4).

Wholesale and retail trade, transport, crop and animal production, and accommodation and food services top the list of sectors at high risk in terms of employment impacts, followed by several export-oriented manufacturing sub-sectors (apparel, plastic, wood, minerals) and food products manufacturing. Based on an analysis of the specific labour vulnerabilities of all sectors (Annex 1) and the estimated impact of the crisis, this report identifies **14 sectors** in which workers and enterprises are severely affected. These sectors largely overlap in both entities, with the notable difference of the food-related sectors (both manufacturing and services) and accommodation, which appear to be highly impacted in Republika Srpska, but not in the Federation. Jobs that were curtailed only temporarily during the lockdown are increasingly at risk, as the health crisis continues and the generosity of the public support schemes is reduced. Some jobs will be lost permanently, depending on how and when aggregate demand and consumer spending pick up again. In some of these sectors, people's own decisions about their behaviour as consumers and workers will shape the trajectory of the reactivation phase, more so than government guidelines. In other sectors, the prevailing economic situation in the main trading partners and the business decisions of international buyers about "near-shoring" vs cutting the "long tail" of less strategic suppliers will make the difference.

In these 14 sectors, 245,000 workers are at immediate risk because of the characteristics of their jobs.<sup>2</sup> According to the analysis conducted on workers and enterprises at risk (Section 4.1), there are 114,000 workers in micro-enterprises of up to 10 workers in these sectors. More than 31,000 workers (that is, around 17 per cent of wage employment in these 14 sectors) have only fixed-term and temporary contracts. When gender-specific considerations are brought into the sectoral analysis, the overall share of employment in sectors with high labour-related vulnerabilities increases only marginally in Republika Srpska (from 54 to 58 per cent), but increases by almost one-third (from 36 to 47.8 per cent) in the Federation. Furthermore, the large share of young people employed in vulnerable jobs in specific branches of manufacturing (apparel, furniture, metal products), may have an even larger negative impact on jobs compared with the baseline scenario.

The enterprise surveys conducted by the employers' organizations in both entities, in collaboration with the ILO and the EBRD, highlight the vulnerability to shocks of specific categories of enterprises. The enterprise surveys bring to the fore the cash flow challenges that plague almost 70 per cent of micro-enterprises and around 60 per cent of SMEs. Around 70 per cent of micro-enterprises reported considerable revenue losses (50 per cent or higher) already in April 2020. Enterprises dismissed relatively few workers during the initial months of the crisis, but their outlook on job retention during subsequent quarters remained negative. **Both entities applied a non-differentiated approach to employment retention measures, attempting to compensate all enterprises for their losses, regardless of their sector. None of the entities defined an obligation for enterprises to retain workers after receiving subsidies. In the Federation of Bosnia and Herzegovina, the subsidy was relatively weak in terms of intensity (37.2 per cent at the level of the minimum wage); it had very limited requirements for enterprises and was overall progressive with regard to firms and workers supported** (see Section 5.2 for a cross-country comparison); that is, the most intensive support is provided for workers and firms at low wage levels. This is a desirable design feature as low-wage

<sup>1</sup> As noted in the nowcasting methodological notes for the ILO Monitor: Covid-19 and the World of Work, this estimated loss in working hours should translate into a significantly less severe employment reduction, as firms and individuals adjust by simultaneously reducing working hours, cutting jobs and withdrawing from work. *ILO Monitor: Covid-19 and the world of work* (7 April 2020), Second edition, updated estimates and analysis.

<sup>2</sup> This number represents the total number of jobs in these sectors that meet at least one of the characteristics that make people extremely vulnerable to the current crisis. For instance such jobs are characterized by informality and precariousness in the employment relationship, and include own-account workers or workers in micro-enterprises.



firms are found more frequently in more affected high-contact sectors and micro- and small firms are harder hit, have lower wages and have higher shares of vulnerable categories of workers compared with larger firms. Canton-wide measures added an additional layer of protection, with more explicit job retention requirements for enterprises; cantons also introduced job retention criteria. **Republika Srpska** implemented a mix of pure “compensation” proportional subsidy and more common flat subsidy. The former appears to provide stronger support to large firms employing, on average, high-wage and low-contact workers. Overall, on the assumption that a firm received the subsidy from March to the end of May, **the overall impact of the employment retention schemes in Republika Srpska would be only mildly progressive.**

**Decision-makers have to be careful not to heighten the dynamic of “winners and losers” that is emerging from the current crisis.** Sections 4.1 and 5.2 of the report contend that the crisis may inflate the cohorts of existing poor and vulnerable individuals. During the Covid-19 lockdown, for instance, there were no direct systemic entity-level income support measures that could assist vulnerable and disadvantaged people outside of employment. The exclusion of own-account workers (sole proprietors) who pay lump-sum taxes from the subsidy in the Federation of Bosnia and Herzegovina is also hard to justify, as they are among the most vulnerable to the crisis. Measures also ignore atypical and informal workers. No effort has been made so far to address the worsening economic position of “new” poor and “new” vulnerable, who remain almost invisible to the system. **Globally, the ILO is warning about the risk of an emerging “lockdown generation”.**<sup>3</sup> In this respect, the Assessment highlights that young people are among the most affected, because of both the expected deep economic recession and the pronounced labour market duality, whereby young workers mostly populate less secure, less well-paid and often high-contact secondary jobs. These may lead to scarring throughout their working life.

**Five preliminary policy recommendations emerge from this Assessment. They need to be further evaluated and adjusted through social dialogue.** The initial policy response to the Covid-19 crisis did not reflect adequate consultations with the social partners. Based on the data and analysis presented in this Assessment, the ILO/EBRD Task Force has elaborated five policy options to be implemented during the next phases of the crisis, particularly as the country may oscillate between reactivation and different versions of lockdown before moving toward full recovery. It would be appropriate for tripartite partners to review and discuss the legal, economic and financial aspects of these policy proposals. Trade-offs and a shrinking fiscal space will have to be considered, while building on common ground for the protection of workers and enterprises. The ILO and the EBRD remain available to provide further guidance on design and cost options.

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3 ILO Monitor: Covid-19 and the World of Work (4th edition).



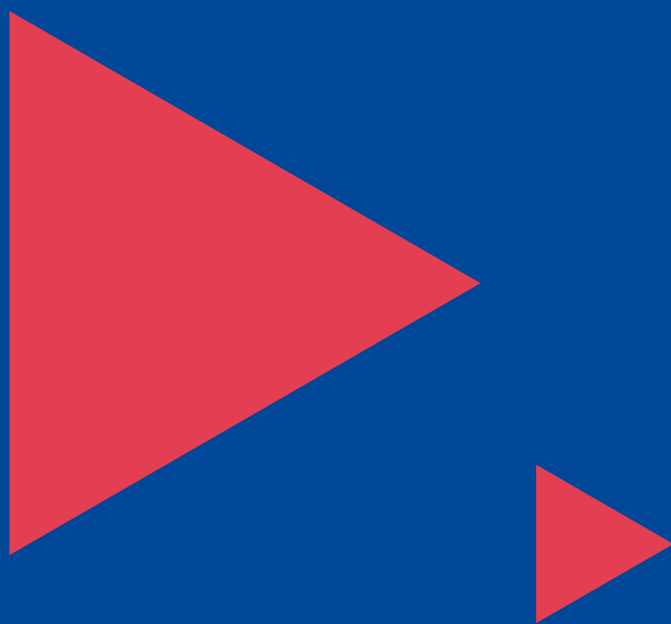
## Five policy options for supporting enterprises, jobs, and incomes during the reactivation phase:

- ▶ **Formulate comprehensive employment policies at entity level.** The Covid-19 crisis does not appear to have generated substantially new problems on the Bosnia and Herzegovina labour market. In fact, it has exacerbated existing ones and made them more acute and urgent. Overreliance on private consumption, decreasing labour force participation and outmigration, which characterize the country's development pathway, do very little to make the labour market less vulnerable to shocks, such as the health crisis, and to improve the quantity and quality of jobs for a full recovery. The entities need to devise a comprehensive employment policy, in line with international labour standards, looking at a set of comprehensive measures tackling both the supply and the demand side of the labour market, beyond ALMPs. Coordination of employment targets shall take place at the Bosnia and Herzegovina level.
- ▶ **Decouple health insurance from registration as unemployed.** Even though the measure was short-lived, the crisis has proved that it is possible. There is therefore room to introduce the long-awaited legislative amendments to employment promotion and health insurance legislation to minimize the incentives for individuals to register as unemployed only to benefit from health insurance.
- ▶ **Improve interoperability of databases and information exchange among different levels of government and across institutions.** The crisis has proved that the efficient administration of multiple support schemes is needed to overcome delays. While the system has been put under stress during the Covid response, there would be generally added value to both citizens and entrepreneurs if better coordination of different support schemes (including existing and future ones) could be implemented. This would make it possible to maximize the outreach of resources allocated, reduce errors of inclusion and support other initiatives, such as curbing informality.
- ▶ **Consider the articulation of additional job retention schemes.** As the crisis continues and flares up from time to time, policy-makers at all levels of government should consider and coordinate around additional options for job retention schemes, with a focus on targeting them better and imposing job retention requirements beyond the duration of the subsidy (which would partially help in weeding out from the beneficiaries so-called "zombie" enterprises, businesses kept artificially alive with no real benefit to workers). Subsidies may take different forms in order to avoid negative employment outcomes in the coming months. They may include a reduction of the tax wedge, with a cap at the level of tax paid on the minimum wage. This may help to avoid negative employment outcomes in the coming months. Also, entities should consider reducing and harmonizing the cost of labour across entities.
- ▶ **Reconsider some of the design features of employment retention schemes, if they are reintroduced.** Should additional support and compensation measures be considered in the future, some of the design features that were used in spring 2020 should be revised based on some of the findings of this Assessment. For instance, receipt of subsidies should be conditional on maintaining the workforce above a given threshold and for a period exceeding the duration of the subsidy. Retention criteria should be set, however modest. Sole proprietorship should be protected regardless of any preferential tax regime that they may enjoy outside the crisis period. Furthermore, a rigid application of the binary eligibility criterion concerning the timeframe of references for revenue losses makes owners and employees of young companies and start-ups more vulnerable to the crisis.

# ▶ 01

## ▶ Preliminary considerations and methodology

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The Covid-19 virus is proving to be a relentless adversary. Policy-makers around the world are grappling with the challenges of remaining a step ahead of subsequent waves of the health crisis – on the home front – and anticipating the multiple channels through which the economic crisis, with plunging oil prices and disrupted supply chains, can have knock-on effects on their country's economy. Like many others, the authorities in Bosnia and Herzegovina (BiH) found themselves confronting unprecedented events unfolding domestically, regionally and globally. The first local case of Covid-19 came to light on 5 March 2020. In order to contain the virus, the governments in Bosnia and Herzegovina passed resolutions to declare a state of natural disaster and a state of emergency. This ushered in emergency response measures, both health-related and socio-economic.

At the country level, the Council of Ministers of Bosnia and Herzegovina declared a state of (natural) disaster on 17 March.<sup>4</sup> In June, the Council of Ministers established the Socio-Economic Response Group (SERG), responsible for coordinating the design and implementation of the socio-economic response to the Covid crisis at all levels of government. The Group oversees the elaboration of relevant assessments of the socio-economic consequences of the pandemic and secures funding for all levels of government by mobilizing domestic funds and foreign financial assistance, including from the European Union. In addition to the chair of the Council of Ministers, the SERG includes the Minister of Foreign Affairs, the Minister of Foreign Trade and Economic Relations, as well as representatives of the Fiscal Council of Bosnia and Herzegovina and of the Standing Committee on the Financial Stability of Bosnia and Herzegovina.<sup>5</sup> The Advisory Group to the Fiscal Council provides both administrative and technical support to the SERG. The Group's constitutive session took place on 2 June.

In the Federation of Bosnia and Herzegovina (FBiH), the Government declared a state of natural disaster on 16 March (subsequently lifted on 29 May) and proposed a programme of measures to mitigate the consequences of the pandemic. The FBiH Economic and Social Council endorsed the proposal on 19 March. On 25 March, the proposal was discussed by the Coordination Committee, comprising the ministers in charge of transport and communications; entrepreneurship and crafts; finance; energy, mining and industry; and agriculture) and representatives of employers' organizations and trade unions, as well as other experts. On 7 May, the FBiH Parliament adopted the law on mitigation of the negative economic consequences of Covid-19, with a view to supporting enterprises across all sectors.

In Republika Srpska (RS), the Government declared a state of emergency on 16 March, thereby establishing a Centre for Emergency Situations (Crisis HQ).<sup>6</sup> The Crisis HQ groups together multiple members of the RS Government under the leadership of the Prime Minister. On 28 March, this decision was superseded by the decision on the state of emergency adopted by the RS National Assembly (lifted on 20 May), which empowered the RS President to pass decrees with the force of law (decree-laws), as the commander of the Crisis HQ. The Crisis HQ passed several decisions and decrees aiming at mitigating the consequences of the pandemic. Both trade union confederations (KSRS and SSRS) have praised the measures, indicating that many of their proposals were taken on board.<sup>7</sup> Similarly, employers' organizations suggested that the measures were timely and that the support provided for job retention interventions ultimately reduced the number of layoffs.<sup>8</sup>

In March 2020, an ILO regional Task Team on Covid-19 and the World of Work, comprising ILO experts and national and regional advisors, extended its operations to Bosnia and Herzegovina. In April, the European Bank for Reconstruction and Development (EBRD) joined the Task Team. The objective is to facilitate dialogue among government institutions at different levels, social partners and other relevant stakeholders on coherent policy responses to support workers, families and enterprises. Policy dialogue should stem from evidence on the immediate employment impacts and most significant transmission mechanisms of the Covid-19 pandemic in Bosnia and Herzegovina.

<sup>4</sup> Under the Framework Law on Protection and Rescue of People and Material Goods from Natural or Other Disasters in BiH and based on respective decisions of the two Entities and the Brcko District.

<sup>5</sup> [http://www.vijeceministara.gov.ba/saopstenja/saopstenja\\_predsjedavajuceg/default.aspx?id=33147&langTag=bs-BA](http://www.vijeceministara.gov.ba/saopstenja/saopstenja_predsjedavajuceg/default.aspx?id=33147&langTag=bs-BA)

<sup>6</sup> <https://www.vladars.net/sr-sp-cyrl/Pages/default.aspx>

<sup>7</sup> <https://www.rtvbn.com/3985300/sindikatzadovoljan-mjerama-vlade-republike-srpske>, <https://www.dw.com/bs/radnici-u-bih-bez-posla-i-prava-zbog-korona-virusa/a-53182831>

<sup>8</sup> <https://ba.ekapija.com/news/2867328/zasto-je-u-fbih-podijeljeno-10-puta-vise-otkaza-nego-u-rs>

The Assessment conducted by the Task Team looks at the situation of vulnerable workers and at-risk enterprises in multiple sectors. It strives to generate evidence and options to improve the structuring of dialogue and negotiations around plausible policy measures. With regard to the latter, three main considerations are relevant:

- a. general policy packages need to be calibrated in accordance with the available fiscal space and the existing policy framework;
- b. policy packages already adopted have some gaps – either in design or implementation – from the perspective of protecting the most vulnerable, such as non-standard workers,<sup>9</sup> own-account workers and micro-enterprises;
- c. policy measures are instrumental only if tailored and properly timed. After the first lockdown, some countries thought that recovery would follow. In reality, several economies are oscillating between reactivation and some version of lockdown.

With regard to the need for the multiple layers of Government and the social partners to synchronize their policies better, the chain of events that was triggered by the health crisis and its economic impact are presented in Figure 1.1.

**Figure 1.1 Covid-19 and the World of Work: timing policies to the appropriate phase of the crisis**

Lockdown	Reactivation	Recovery
<ul style="list-style-type: none"> <li>■ near complete and mandatory</li> <li>■ timing and gradual removal subject to debate balancing of health, political and economic interests</li> <li>■ high-contact and non-essential labour heavily constrained</li> <li>■ consumer demand for durables and non-essential goods and services plummeted, fuelled by uncertainty</li> <li>■ workplace closures and loss of working hours as key metrics in the short term</li> </ul>	<ul style="list-style-type: none"> <li>■ workers trickle back into workplaces</li> <li>■ slowed down by safety and health considerations for workers and clients and episodes of resurgence of the virus</li> <li>■ negotiations on safe return to work occur</li> <li>■ ruptured supply chains, particularly in export-oriented manufacturing, need mending</li> <li>■ in the medium term, liquidity shortages undermine also viable businesses</li> <li>■ inactivity (withdrawal from the labour market), unemployment, underemployment; income and job losses as useful metrics in the medium term</li> </ul>	<ul style="list-style-type: none"> <li>■ made difficult by (still) low aggregate demand</li> <li>■ fiscal limitations circumscribe government room to manoeuvre</li> <li>■ registered employment; GDP per person employed; and mortality rate of enterprises are helpful indicators in this phase</li> <li>■ employment indicators to be read in conjunction with sector-specific metrics</li> </ul>

Source: Task Force elaboration based on several sources.<sup>10</sup>

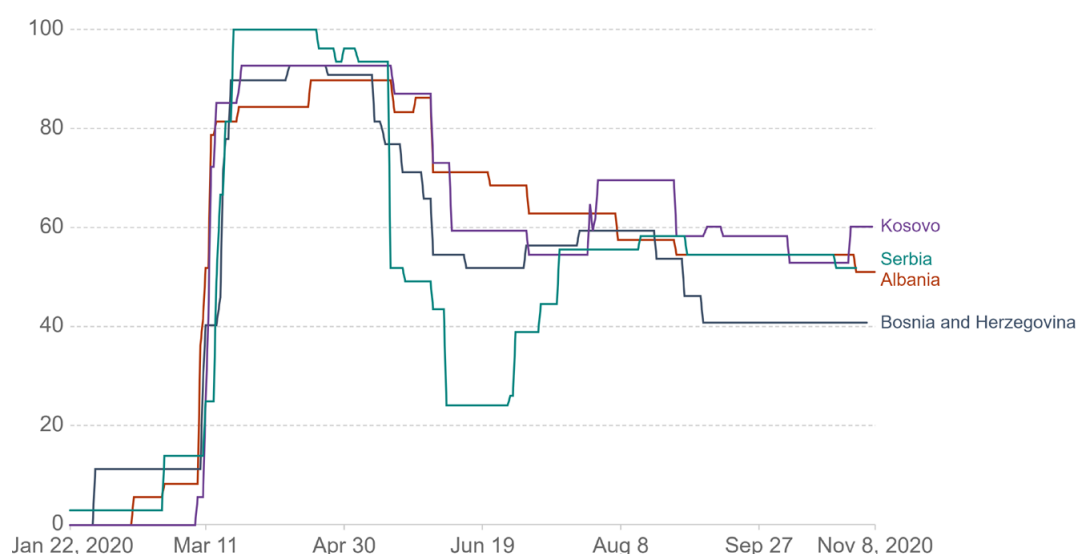
The stringency of the lockdown in Bosnia and Herzegovina was high (Figure 1.2). The authorities enacted several measures to facilitate remaining at home and social distancing (see Annex 3), including general requirements for workplace closures, a curfew and a complete ban on movement for certain population

<sup>9</sup> Labour legislation in Bosnia and Herzegovina does not define the terms “non-standard forms of employment” or “non-standard workers”. However, the labour laws have introduced changes in the existing forms of work, such as fixed-term and part-time work employment contracts, employment contracts for work performed outside the employer’s premises, and domestic work (in RS). Agency work/temporary leasing of workers is not recognized among these flexible forms of work.

<sup>10</sup> For an analysis of the stringency of the lockdown, see: Hale, Thomas, Sam Webster, Anna Petherick, Toby Phillips, and Beatriz Kira: Oxford Covid-19 Government Response Tracker, Blavatnik School of Government (2020). Data use policy: Creative Commons Attribution CC BY standard. Available at: <https://covidtracker.bsg.ox.ac.uk/>

categories (people older than 65 years of age in both entities and young people below 18 years of age in the Federation of Bosnia and Herzegovina). From a labour market perspective, informality and the incidence of rural work have mitigated the lockdown's stringency for some categories of workers.<sup>11</sup> By the last week of May, both entities had begun to lift the lockdown gradually, but the country as a whole experienced a second spike of infections during the summer. Nevertheless, since August Bosnia and Herzegovina has had the lowest stringency index in terms of government response among all the Western Balkan economies.

**Figure 1.2 Government Response Stringency Index**



**Note:** This is a composite measure based on nine response indicators, including school closures, workplace closures, and travel bans, rescaled to a value from 0 to 100 (100=strictest). If policies vary at the subnational level, the index is shown as the response level of the strictest sub-region. This index simply records the number and strictness of government policies, and should not be interpreted as "scoring" the appropriateness or effectiveness of a country's response. [OurWorldInData.org/Coronavirus](https://ourworldindata.org/coronavirus) CC BY

**Source:** Hale, Webster, Petherick, Phillips, and Kira (2020). Oxford COVID-19 Government Response Tracker – last updated 8 November

For the purposes of this report, reactivation is defined as the period post-lockdown and before the wide availability of a vaccine (in the absence of a miraculous disappearance of the virus). There seems to be a consensus that the virus will continue to be a threat and an obstacle to normalcy, even if it may temporarily be less acute in the country or region. Covid-19 is a threat as long as it exists somewhere, as proven by its resurgence in the Western Balkans early in the summer and the increasing number of infections across Europe during August and September 2020. During the reactivation phase, it is helpful to distinguish between high-contact and low-contact sectors and occupations, because reactivation will clearly be constrained by health and safety concerns in high-contact types of business. Supply chain disruptions and demand shocks will play a more important role in low-contact sectors. The current experience in the European region is that countries may float back and forth between different phases, resorting at times to new forms of lockdown, full or partial, and generally more targeted than the previous one.

Social dialogue underpins the process of identifying an adequate policy mix across these different phases. This requires the active participation of representative employers' and workers' organizations, along with other experts, including sectoral associations.

<sup>11</sup> ILO Monitor: Covid-19 and the world of work (7 April 2020), Second edition, Updated estimates and analysis.

The methodology used by the Task Force includes multiple tools. In particular, the following approaches were applied:

- a. **Enterprise survey.** The Assessment builds on the results of the enterprise surveys that the employers' organizations of the Federation of Bosnia and Herzegovina and Republika Srpska conduct periodically, in partnership with the ILO and the EBRD. While having no pretensions to represent the full extent of Covid-19's impacts, the enterprise survey provides snapshots of how formal establishments in different sectors are faring through the different phases of the crisis and what urgent needs they voice.<sup>12</sup> To avoid any "cross-contamination" of perceptions, this Assessment derives its findings only from the questionnaires that were answered with reference to the lockdown phase. The enterprise survey will be repeated during the reactivation phase.
- b. **Sectoral analysis.** Through a sectoral decomposition (2-digit) of Labour Force Survey (LFS) data, the sectoral analysis provides an overview of the sectors most at risk from the viewpoint of quantity and quality of jobs. It also offers some data for the parametrization of policy options. The LFS also provides baseline microdata for nowcasting.
- c. **Administrative data.** Selected administrative data are collected from the public employment service, social welfare centres, tax authority and other institutions (together with relevant time series) to gauge real-time occurrences in the labour market.<sup>13</sup> High-frequency economic and labour market data support the ILO's nowcasting model.
- d. **ILO nowcasting model.** This method uses data that are available almost in real time to predict aggregate hours worked, which are published with substantial delay. The resulting estimates are compared with the baseline (the latest pre-crisis quarter, namely, the fourth quarter of 2019, seasonally adjusted). The data in the nowcasting model include a variety of economic indicators, including the evolution of the labour market. The ILO nowcasting model generated Western Balkan aggregates for both quarter 1 and quarter 2. As enough high-frequency indicators became available for Bosnia and Herzegovina in the second half of 2020, the ILO can now produce a direct nowcast for the country.

Importantly, times of turbulence tend to be marked by poorer-quality data. Because real-time data are lacking in most countries – particularly on labour market impacts – it is essential that assessments take into account multiple indicators and qualitative insights on economic and employment effects. The overall principle guiding the approach is pragmatism. Today, policy-makers still have not been able to get to grips with multiple facets of the Covid-19 crisis, such as how profoundly it has hit the country, and for how long its effects will reverberate through the economy. Thus, by pinning down some of the facts and evidence available at the time of writing, the Assessment strives to support the formulation of an adequate exit strategy from the current situation.

<sup>12</sup> At the time of writing, 643 enterprises have responded to the survey, representing around 1.7 per cent of total establishments in Bosnia and Herzegovina. Among the respondents based in the Federation, around 23 per cent are based in Sarajevo; around 35 per cent of the respondents from Republika Srpska are based in Banja Luka. The majority are small-to-medium sized enterprises with 11–100 employees, comprising 43 per cent of the sample in both entities (individually). MSMEs account for 90 per cent of all respondents (both entities), but with notable differences between entities: 79 per cent in the Federation of Bosnia and Herzegovina and 93 per cent in Republika Srpska. This implies that large companies (251+ employees) are overrepresented in both entities, as in reality, they constitute only around 1 per cent of the total number of enterprises in Bosnia and Herzegovina (Agency for Statistics of Bosnia and Herzegovina). Similarly, micro-enterprises are underrepresented (35 per cent of the total sample, or 23 per cent in FBiH and 38 per cent in RS), considering that micro-enterprises comprise around 75 per cent of all active enterprises in Bosnia and Herzegovina.

<sup>13</sup> Administrative data will grow in importance and significance as the country moves through the reactivation and recovery phases. For instance, the increase in registrations at the employment agency and in claims for unemployment benefits may still be limited during the lockdown, as people are trying to "decipher" the crisis and do not take the necessary administrative steps. In addition, there can be a time lag between the lifting of containment measures and filing for bankruptcy, as enterprises try to restart operations using government programmes, bank loans, and/or their own savings.

**This Assessment was conducted primarily during the month of June 2020 and presented to the authorities, the social partners and the development partners in Bosnia and Herzegovina in July 2020.** Based on official statistics, by the time the state of natural disaster and the state of emergency were ended at the end of May there were fewer than 500 officially reported cases and 153 deaths in total.<sup>14</sup> During this period, the country was still predominantly under lockdown, with the large majority of workers experiencing workplace closure and dramatically reduced working hours.

Around mid-June, however, the number of active cases started to increase quite rapidly. This reflects a pattern in the wider Western Balkans as a “second” wave appeared to be affecting the entire region. North Macedonia, Serbia, Montenegro and Albania all reported a spike in cases at the same time as Bosnia and Herzegovina. Prior to 9 July, all the above mentioned countries’ incidence rates increased above the 25 per 100,000 – a marker for allowing movement to the EU. During a single day, 6 July, the number of new cases exceeded the total number of cases in the first wave. By early September, the total number of cases had risen to almost 22,000 and the health crisis is still ongoing at the time of writing. Some of the information presented was updated during the editing and design process to reflect the latest available information.

The ILO and the EBRD may provide summary iterations of this report and update the analytics as the country moves through the reactivation phase.

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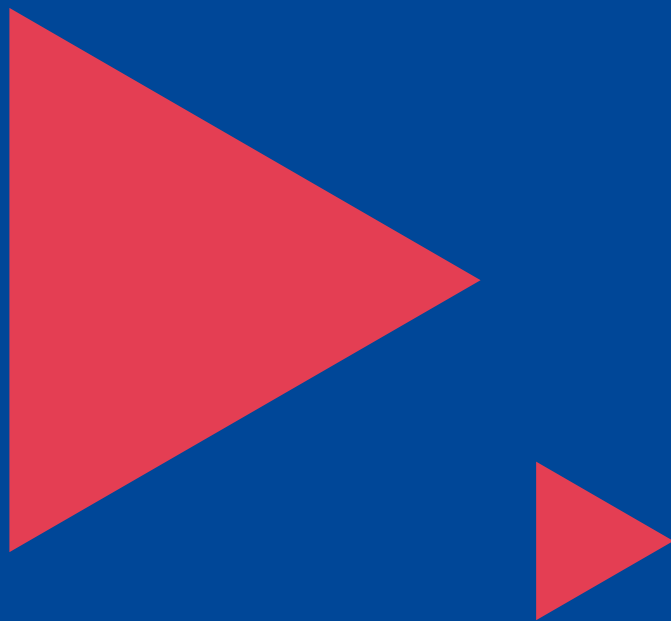
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Federation BiH  
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Republika Srpska



# ► 02

## ► Socio-economic situation before the health crisis

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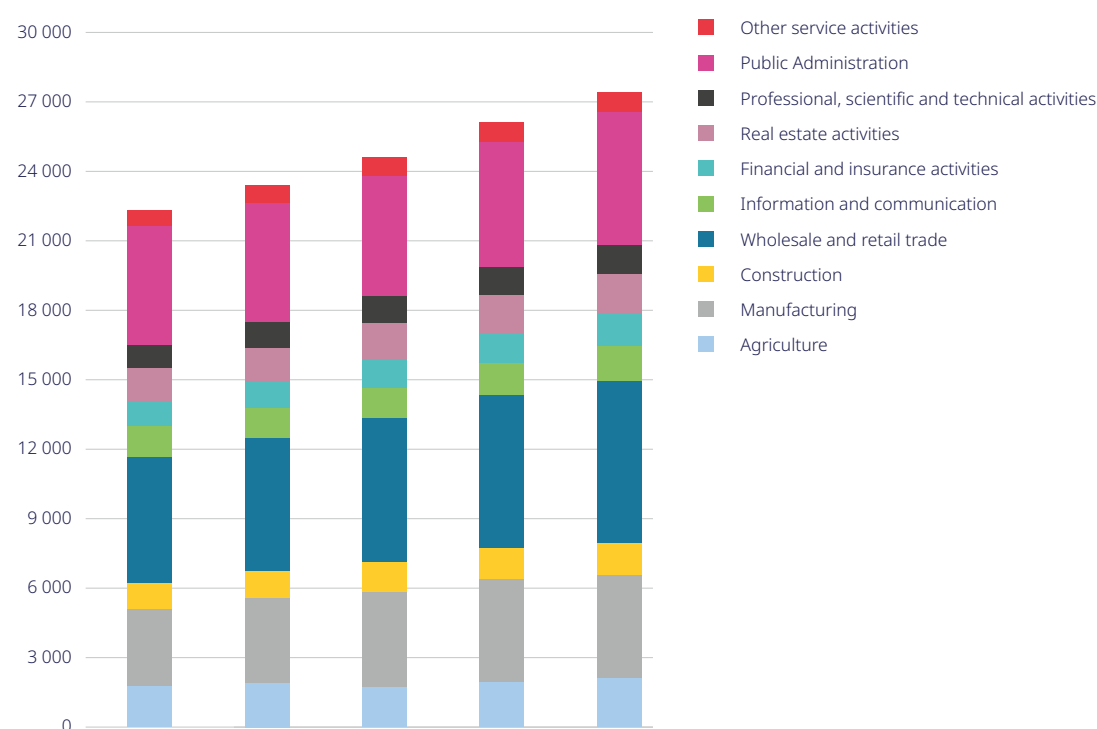


Bosnia and Herzegovina has enjoyed positive economic growth in recent years, averaging 2.9 per cent between 2015 and 2019,<sup>15</sup> boosted by private consumption and to a lesser extent by investment and export growth.<sup>16</sup> In 2019, gross domestic product (GDP) growth slowed down to 2.6 per cent from 3.7 per cent in 2018.<sup>17</sup> This deceleration was driven by slower growth in the Euro Zone, the main trading partner of Bosnia and Herzegovina, a slump in industrial activity, and uncertainties because of delays in the formation of the new government after the October 2018 elections. Growth in manufacturing and construction decelerated in 2019 compared with the prior year (0.6 and 1.1 per cent growth, respectively), while retail trade and the public sector continued to grow (by 6.2 and 6.3 per cent, respectively). Agriculture, retail trade, information and communication, financial and insurance activities and the public sector are the top sectors in terms of value added (Figure 2.1, plot a). Agriculture, manufacturing, retail trade and construction provide over two-thirds of the jobs in the private economy (Figure 2.1, plot b). The wages paid to workers in these sectors, however, are below the national average (Figure 2.1, plot c).

On the demand side, private consumption has been the main driver of economic growth and the trend was expected to continue. In 2019, foreign direct investments (FDI) rose by 12.1 per cent compared with 2018. Remittances also increased, to reach 10.9 per cent of GDP (US\$ 2.2 billion). The reliance on remittances to finance the current account deficit may pose a risk for the country if this inflow declines steeply because of job losses in host countries.<sup>18</sup>

**Figure 2.1 Sectoral composition of growth, employment and wages**

**a) Value added**



Source: Eurostat, Gross value added and income by A\*10 industry breakdowns [online code: nama\_10\_a10]:

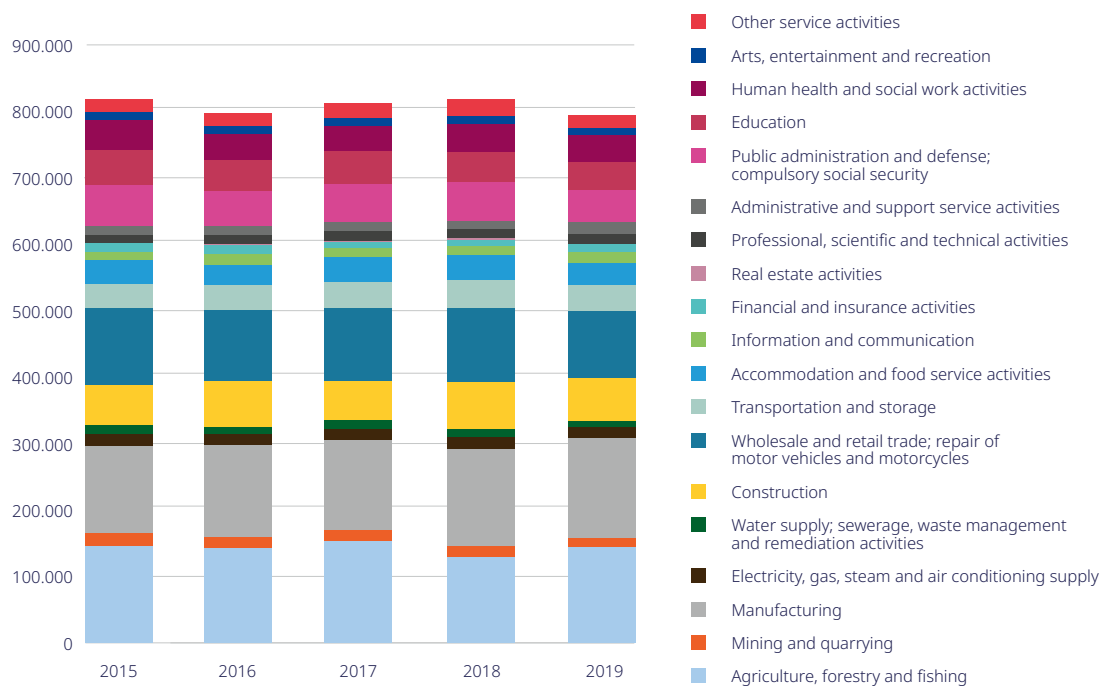
<sup>15</sup> World Bank: GDP growth (annual %), Bosnia and Herzegovina.

<sup>16</sup> World Bank: Western Balkans Regular Economic Report No. 15 (Spring 2019).

<sup>17</sup> Ibid.

<sup>18</sup> World Bank: World Development Indicators, various years; see also World Bank: *The economic and social impact of COVID 19* (Country notes, Western Balkans Outlook Regular Economic Report No. 17/2020).

## b) Employment



Source: ILO statistics: Employment by sex and economic activity, annual (2015-2019) .

## c) Wages



Source: ILO statistics: Mean nominal monthly earnings, by economic activity, annual in local currency (2017-2019).

According to the World Bank's Regular Economic Report (RER) for the Western Balkans (April 2020), the current account deficit in Bosnia and Herzegovina narrowed slightly from 3.9 per cent of GDP in 2018 to 3.7 per cent in 2019, driven by an increase in remittance inflows. Exports fell by 2.3 per cent and imports rose by 1.3 per cent.<sup>19</sup> By the end of 2019, public debt was down to 33.1 per cent of GDP from 34.2 per cent recorded a year earlier, following fiscal discipline efforts. The country posted a small fiscal deficit (0.5 per cent of GDP) after the surpluses (around 2.5 per cent of GDP) reported in 2017 and 2018. This was due to increased public spending on wages (from 10.2 to 11 per cent of GDP) and social benefits (from 17.8 per cent to 18.1 per cent), as well as capital expenditures (from 2.8 to 3.6 per cent of GDP). Revenues, conversely, remained stable at 42.6 per cent of GDP. Consumer prices rose by an average of 0.6 per cent in 2019, while average wages increased by 6.4 per cent year on year.

The structural transformation of the country has been slow. Despite an increase in value added in sectors such as information technology and finance and insurance, the contribution of these sectors to job creation remains low. A large part of the workforce is trapped in low productivity jobs in agriculture, construction, tourism and retail, which on average command wages that are 10 per cent lower than the national average. Small and medium-sized enterprises (SMEs) dominate the formal private sector landscape, representing 99.7 per cent of all firms in the country, with a contribution to value added of 68.3 per cent and 80.3 per cent to employment, respectively. Large firms (100 or more employees), while representing only 0.3 per cent of all enterprises, produce over a third of the value added (31.7 per cent) and 19.7 per cent of employment.<sup>20</sup>

The economic growth recorded in the past few years has led to a marginal improvement of some labour market indicators. Labour Force Survey estimates show that in the period 2017–2019 the employment-to-population ratios of the working-age population (15–64 years of age) rose by over 3 percentage points (from 43 to 46.4 per cent). Unemployment rates declined by nearly 5 percentage points (from 21.1 per cent in 2017 to 16.4 per cent in 2019), amid stable labour force participation rates (54.5 per cent in 2017 and 55.5 per cent in 2019). The gender gap in labour force participation and employment rates remained stable throughout the period, with women's activity and employment rates 23 and 21 percentage points lower than men, respectively.<sup>21</sup> In 2019, the unemployment rate of the working age population was 16.4 per cent (14.2 per cent for men and 19.7 per cent for women). Long-term unemployment remains pervasive at 77.3 per cent of all unemployed persons, with women more exposed to long-term unemployment than men (77.8 per cent and 76.6 per cent, respectively). The highest unemployment rate is recorded among people with secondary educational attainment (16.9 per cent), while persons with tertiary education are only marginally better off than those with lower skill levels (12 and 14.1 per cent unemployment rates, respectively).

In 2019, the unemployment rate among young people (15–24) stood at 33.8 per cent, over twice that recorded among adults. Approximately 21.2 per cent of young people are neither in employment, education or training (NEET), with young women more likely than young men to be disengaged (21.7 and 20.8 per cent, respectively).<sup>22</sup> The labour market situation of young people (15–24) in the country has been improving slightly since 2017 with rising labour force participation rates (from 32.5 to 35.4 per cent), rising employment rates (from 17.6 to 23.4 per cent) and declining unemployment (from 45.8 to 33.8 per cent). This improvement, however, benefitted young men more than young women and young people with secondary educational attainment. Only part of the employment gains recorded for young people are due to higher employment levels, while most are attributable to demographic factors (the population in this age group has declined by 27 per cent since 2014).

<sup>19</sup> World Bank Group: *The Economic and Social Impact of COVID-19*, Country notes, Western Balkans Regular Economic Report No. 17, Spring 2020.

<sup>20</sup> European Commission: SBA Fact Sheet, Bosnia and Herzegovina, 2019.

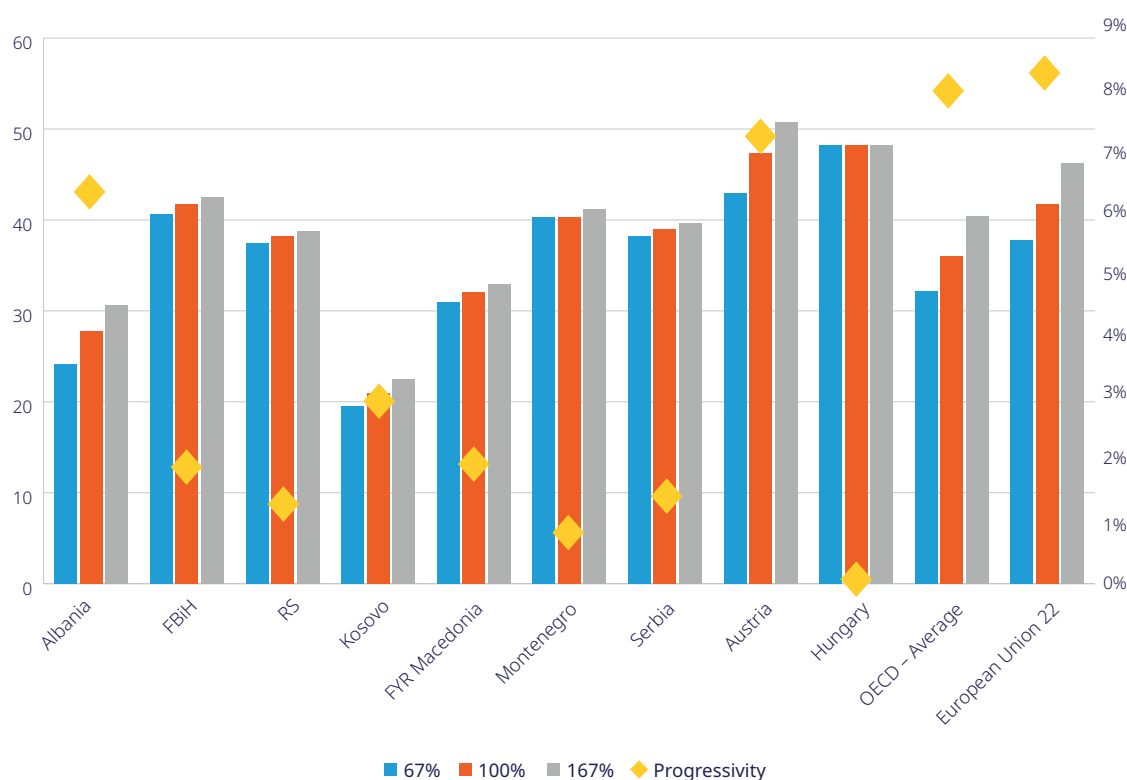
<sup>21</sup> Agency for Statistics of Bosnia and Herzegovina: *Labour Force Survey 2019*.

<sup>22</sup> ILO: *ILO Modelled labour market statistics*, at <https://ilostat.ilo.org/data/>

The quality of employment remains a challenge in the country. Informal employment amounts to 30 per cent of total employment;<sup>23</sup> over 16 per cent all workers are employed on temporary contracts;<sup>24</sup> and nearly a quarter of workers are working poor (24.5 per cent).<sup>25</sup> A higher incidence of in-work poverty is recorded among self-employed workers (36 per cent), temporary workers (27.8 per cent), part-timers (39.9 per cent) and young workers aged 18–24 (31.4 per cent).<sup>26</sup>

At around 41 per cent, the tax wedge on labour is relatively high in Bosnia and Herzegovina, and largely independent of income level (lack of progressivity) despite a low personal income tax rate (a flat 10 per cent). The tax wedge differs between the entities, given the decentralized structure of the country. For a single average wage earner, the tax wedge amounts to 41.7 per cent of the gross wage in the Federation of Bosnia and Herzegovina, and slightly over 38 per cent in Republika Srpska, with most of the burden comprising social security contributions. The tax treatment of allowances is not harmonized across the two entities, creating distortions and adding to the administrative burden for businesses operating in both entities. Besides wages, employees in the country often receive meal, holiday and transportation allowances as part of their remuneration. Whereas in Republika Srpska these allowances are treated as part of overall compensation and subject to taxation, in the Federation these allowances are tax-free (which means that the effective labour tax wedge in the Federation is lower).<sup>27</sup>

**Figure 2.2 Labour tax wedges in Western Balkans for a single worker at 67 per cent, 100 per cent and 167 per cent of average wages, in comparative perspective**



Source: World Bank and Vienna Institute for International Economic Studies: *Western Balkans Labour Market Trends 2019* – Special topic: Labour costs, labour taxes and low-wage earners in the Western Balkans.

<sup>23</sup> ILO: Overview of the informal economy in Bosnia and Herzegovina, 2020, [https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/genericdocument/wcms\\_751314.pdf](https://www.ilo.org/wcmsp5/groups/public/---europe/---ro-geneva/---sro-budapest/documents/genericdocument/wcms_751314.pdf)

<sup>24</sup> ILO: *ILO Modelled labour market statistics*, <https://ilostat.ilo.org/data/>

<sup>25</sup> N. Obradović et al.: *Thematic Report on In-work poverty Bosnia and Herzegovina 2019* (European Social Policy Network, 2019).

<sup>26</sup> Ibid.

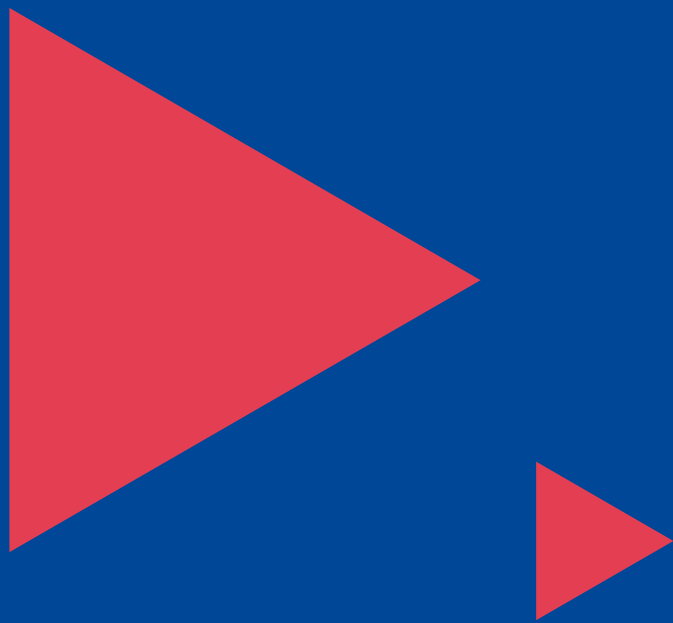
<sup>27</sup> International Monetary Fund (IMF): *Bosnia and Herzegovina. Selected Issues*, IMF Country Report No. 15/299, 2015.



# ▶ 03

## ▶ Transmission mechanisms

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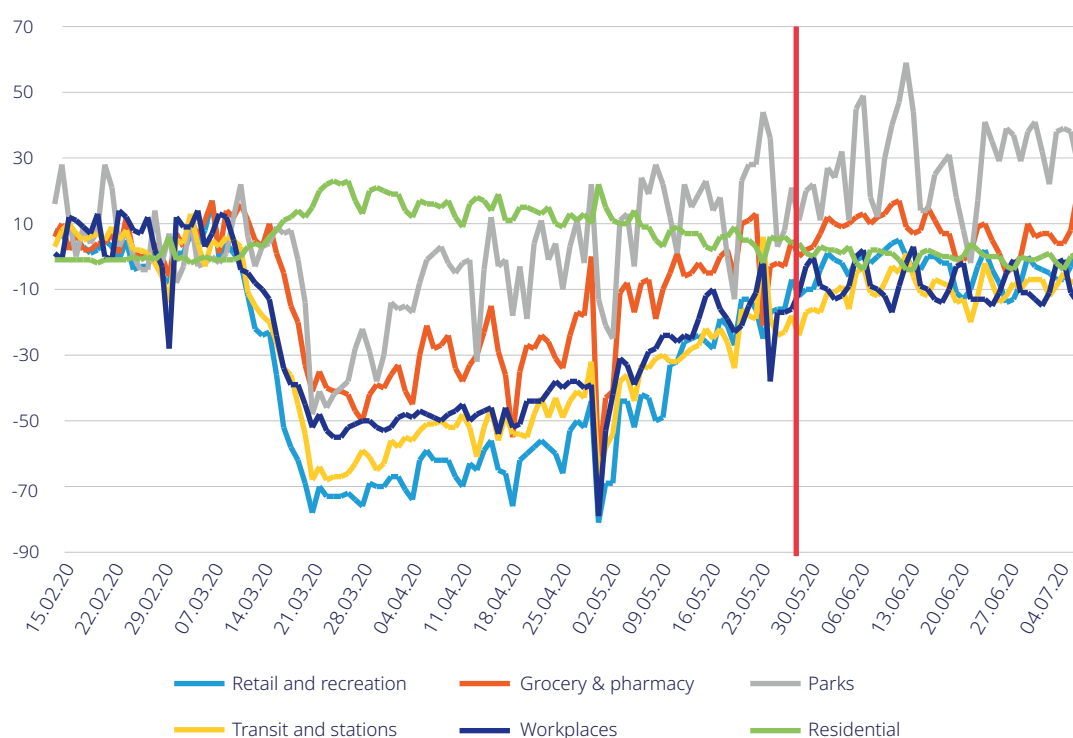


### 3.1 Direct effects due to containment measures

The governments in Bosnia and Herzegovina responded to the onset of the pandemic with a set of relatively strict and restrictive measures. Soon after the first case of Covid-19 on 5 March, the governments introduced containment measures, including the shutdown of schools, bans on public gatherings, restrictions on some businesses (for example, fitness centres, bars, restaurants and other high-contact economic activities) and a curfew. By mid-March, the Council of Ministers had prohibited citizens of countries heavily hit by the pandemic from entering Bosnia and Herzegovina; this measure was extended to all nations a few days later. Annex 3 provides more details on the containment, closure and health measures adopted since the beginning of the crisis.

The lockdowns introduced by the governments, as well as the global context, have affected the business operations of many companies. Enterprises operating in the tourism and hospitality sector, transportation, recreation and arts, and trade, as well as in some niches of the service sector, have suffered from combined shocks induced by the lockdown and by the reduction in demand from businesses and customers. Among other factors, the decline in demand is a consequence of decreased mobility, mounting uncertainty, and a sudden drop in disposable income experienced in households affected by wage cuts and dismissals. The 25 May Google Community Mobility Report<sup>28</sup> for Bosnia and Herzegovina (Figure 3.1), for instance, highlights that visits to and time spent in places such as work, grocery markets, pharmacies, restaurants, and others reached their lowest negative level during the first week of May. Places such as restaurants, cafes, shopping centres, parks and cinemas saw a decrease in activities by over 60 per cent from the end of March until early May. During the last week of May, visits to shops (grocery) and open areas (parks) spiked visibly above the baseline (as was to be expected as the weather improved). By 2 June, mobility around workplaces seemed to go back to the baseline levels. During the second week of July, all mobility trends were largely upward of the baseline, with the exception of places of work and use of public transport.

**Figure 3.1** Mobility trends during the lockdown and after removal of restrictions



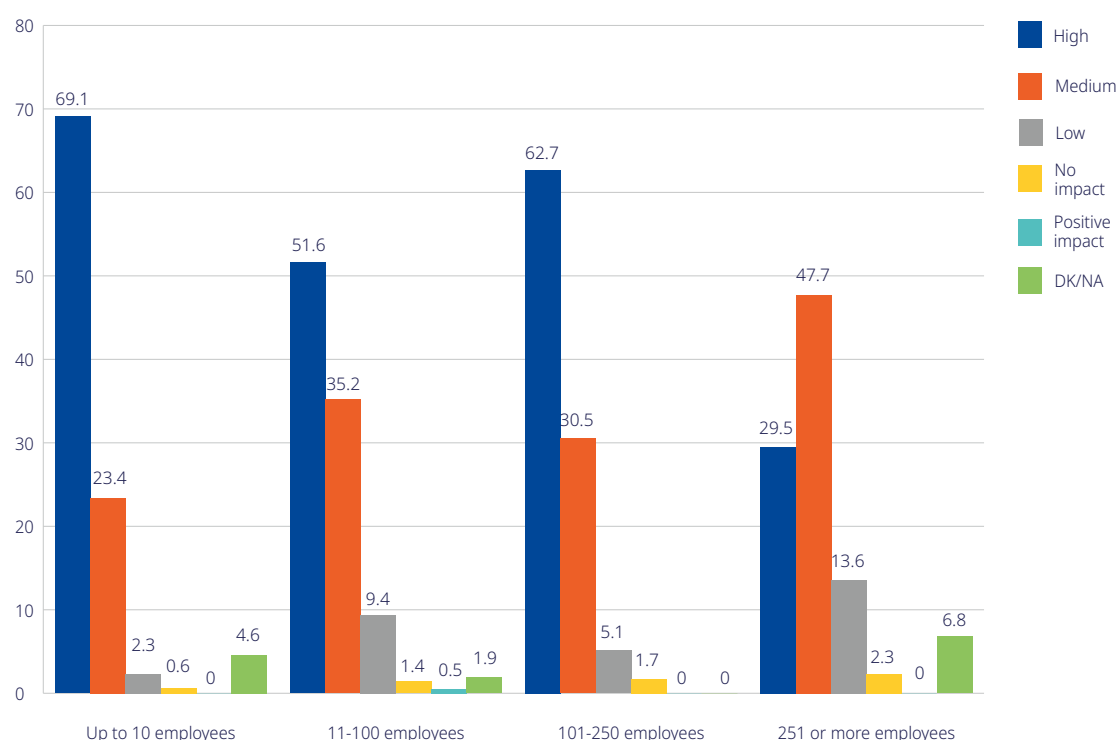
**Note:** The vertical red line marks the time of the removal of restrictions.

**Source:** Authors' calculations based on Google LLC "Google COVID-19 Community Mobility Reports", <https://www.google.com/covid19/mobility/> Accessed: 09.07.2020.

<sup>28</sup> Google Mobility Reports show how visits and length of stay at different places changed compared with a baseline. The baseline is the median value for the corresponding day of the week during the five-week period 3 January–6 February 2020. Changes are calculated using aggregated and anonymized data.

While transmission mechanisms have varied significantly in terms of intensity and reaction time from sector to sector, the simultaneity of the supply- and demand-side shocks makes this crisis extremely dangerous. The economic disruption in Bosnia and Herzegovina is still widespread. According to the enterprise survey conducted in April by the employers' organizations in both entities, in cooperation with the ILO and the EBRD, Covid-19 severely affected around 80 per cent of enterprises in the Federation of Bosnia and Herzegovina and around 90 per cent in Republika Srpska. About 21 per cent of the surveyed enterprises in the Federation and 26 per cent in Republika Srpska suspended their business operations, while 37 per cent and 39 per cent, respectively, remained partially operational. Around 42.5 per cent of respondents in the Federation and 59.7 per cent of respondents in Republika Srpska indicated that they had faced a revenue loss of 50 per cent or more. For 37 per cent of respondents in the Federation and 30.6 per cent in Republika Srpska, revenues had declined by between 20 and 50 per cent. A small number of businesses indicated that they had not been affected by the crisis or had even benefited from it: only 2.7 per cent of respondents in the Federation of Bosnia and Herzegovina and 1.4 per cent in Republika Srpska experienced neutral or positive impacts. Micro-enterprises faced the harshest shock in Bosnia and Herzegovina: 69.1 per cent of them suffered from a 50 per cent or higher revenue loss already in April. Large enterprises (251+ employees) appeared to be less affected by the crisis: less than one-third of businesses experienced a significant decline in revenues, 13.6 per cent noted a low decline (less than 20 per cent), and 2.3 per cent were not impacted at all (Figure 3.2).

**Figure 3.2 BiH companies reporting a significant decline in revenues, by size (cumulative results for both entities) (n=491)**

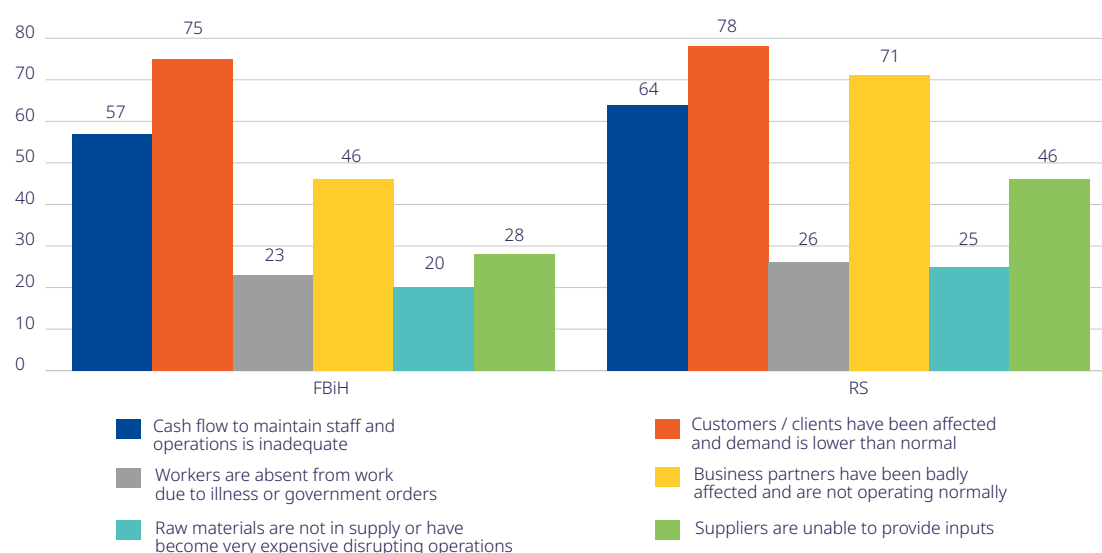


Source: Enterprise Surveys. Employers' organizations, ILO, EBRD (2020).

According to the enterprise surveys, the decline in demand was the most prominent challenge for three out of four respondents in both entities. In Republika Srpska, 71 per cent of businesses were affected by business partners not operating normally due to the pandemic (46 per cent in the Federation of Bosnia and Herzegovina). A non-negligible share of respondents (around one-fifth) dealt with supply-side challenges, related to the unavailability of inputs or the fact that raw materials were more expensive than usual (Figure 3.3). More than half of the respondents – 57 per cent in the Federation of Bosnia and Herzegovina and 64 per cent in Republika Srpska – struggled to ensure an adequate cashflow to maintain staff and business operations. The share of respondents facing problems

with supply of inputs and drop in demand increases with size of company, while the opposite is true with regard to maintaining cashflow, cited as a challenge by 68 per cent of the micro-enterprises and 50 per cent of large enterprises (Figure 3.4). Significantly, even though the lockdown was at its tightest in April (Figure 1.2), the absence of workers from the workplace consistently features at the bottom among the challenges and worries mentioned by employers.

**Figure 3.3 Problems faced by enterprises due to the crisis (by entity, % of respondents, multiple answers allowed) (n=83 in FBiH; n=424 in RS)**



Source: Enterprise Surveys. Employers' organizations, ILO, EBRD (2020).

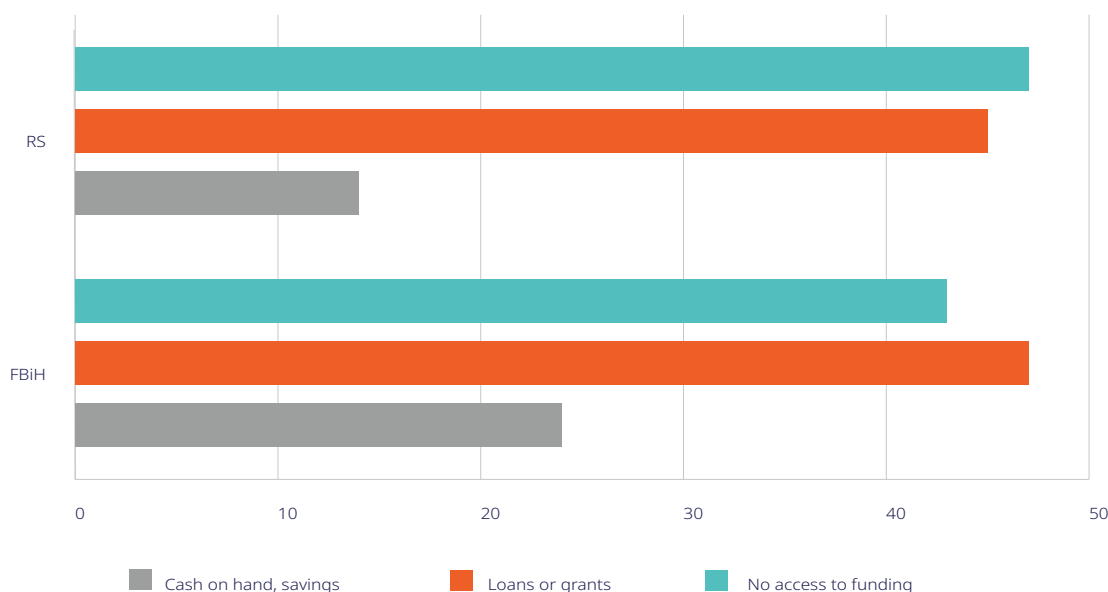
**Figure 3.4 Problems faced by enterprises due to the crisis, by size (% of respondents, multiple answers allowed) (n=503, both entities included)**



Source: Enterprise Surveys. Employers' organizations, ILO, EBRD (2020).

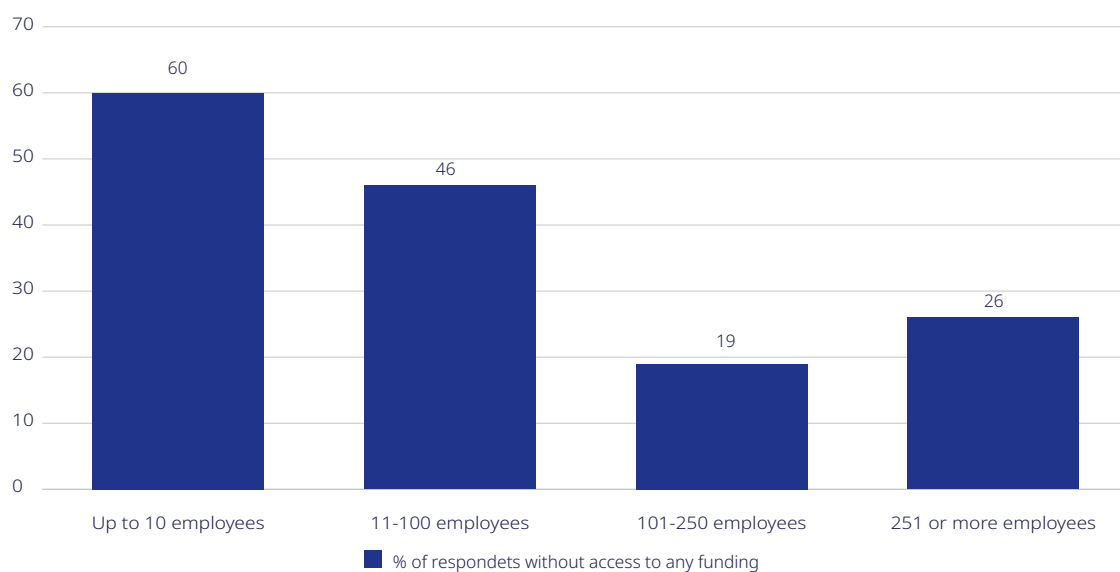
**For many companies, a lack of internal financial reserves or access to external funding represent the main obstacles in coping with the crisis.** Around 43 per cent of the respondents in the Federation of Bosnia and Herzegovina and around 47 per cent in Republika Srpska stated that they do not have access to sufficient financial resources to cope with the crisis (Figure 3.5). The share rises to 60 per cent among micro-enterprises. Fewer than a quarter of companies with more than 100 employees mentioned trouble in accessing finance (Figure 3.6). Among those that have access to financing, around 80 per cent need to rely on loans and/or grants for the purpose of recovery.

**Figure 3.5 Access to finance, by entity (% of respondents) (n=73 in FBiH, n=408 in RS)**



Source: Enterprise Surveys. Employers' organizations, ILO, EBRD (2020).

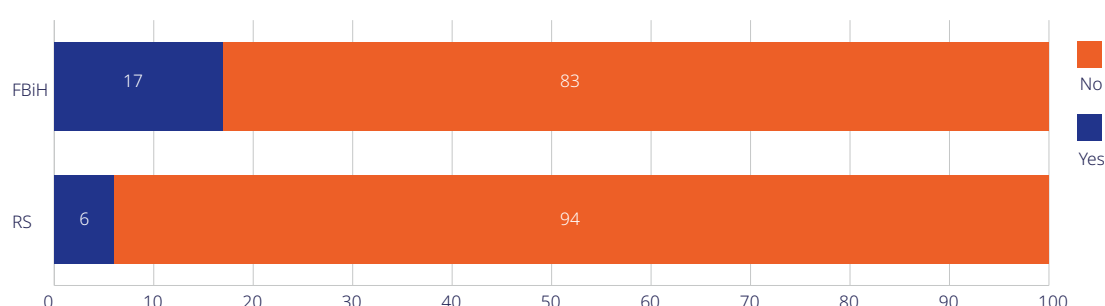
**Figure 3.6 Lack of access to finance to support recovery, by size (% of respondents) (n=476, both entities included)**



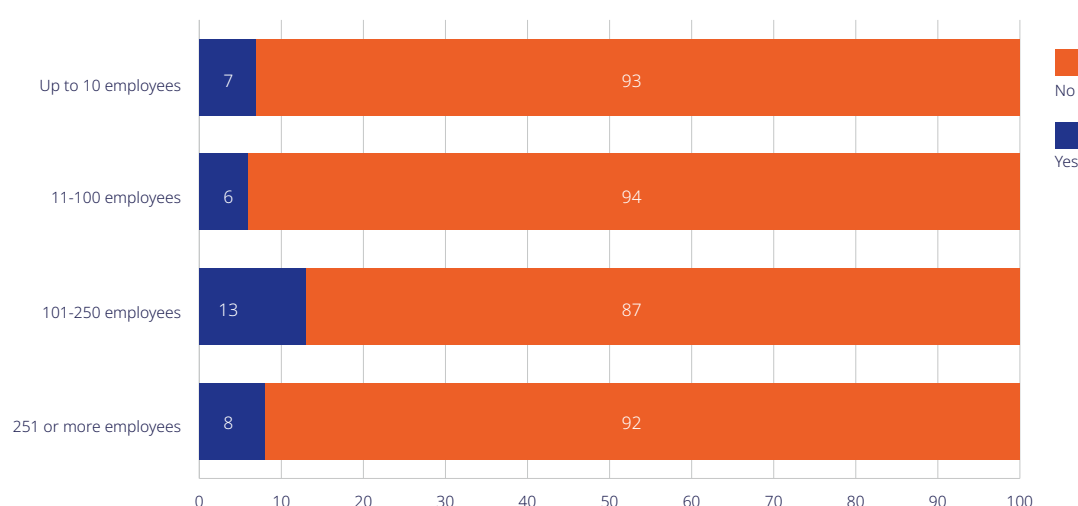
Source: Enterprise Surveys. Employers' organizations, ILO, EBRD (2020).

**During the initial months of the crisis, companies cut only a limited number of jobs, but held a gloomy outlook on future developments with regard to the workforce.** Around 17 per cent of the surveyed companies in the Federation of Bosnia and Herzegovina and 6 per cent in Republika Srpska dismissed employees (Figure 3.7). The majority (65 per cent) of these companies dismissed only up to 10 per cent of their workforce, but a non-negligible share of them (19 per cent) had to dismiss almost one-third. These reductions are more likely to occur among medium-sized enterprises (see Figure 3.8). However, 37 per cent of respondents in the Federation indicated that they would need to dismiss employees in the near future. Two-thirds are employers that have not dismissed workers before. In Republika Srpska, 17 per cent of respondents expressed this intention, four out of five of whom had not dismissed workers previously.

**Figure 3.7 Companies reducing the number of employees, by entity (n=87 in FBiH, n=419 in RS)**



**Figure 3.8 Companies reducing the number of employees, by size (n=506)**



**As a result of the initial shocks and prolonged disruption in business activities, Bosnia and Herzegovina is approaching a deep recession.** The IMF has estimated that the COVID-19 crisis will lead to a decrease in the country's annual GDP of 6.5 per cent.<sup>29</sup> The World Bank estimated a slightly lower impact of the crisis on the BiH economy in 2020, pointing to a decline of 3.2 per cent of GDP.<sup>30</sup> Finally, the EBRD revised its earlier forecast and projected a decline of 5 per cent of GDP in 2020, followed by

<sup>29</sup> IMF: World Economic Outlook, October 2020: A long and difficult ascent, <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

<sup>30</sup> The World Bank: Western Balkans Regular Economic Report No. 18: An Uncertain Recovery, Fall 2020, <https://www.worldbank.org/en/region/eca/publication/western-balkans-regular-economic-report>

recovery (3 per cent of GDP) in 2021.<sup>31</sup> The majority of analyses suggest that the fall in national output will be strongest in the second (due to the lockdown) and third (secondary effects) quarters of the year. In that sense, early analyses mainly suggested that Bosnia and Herzegovina will face a V- or U-shaped recession. It is still not clear, however, to what extent the expected decline in economic activity has been worsened by the second peak of the pandemic during the summer and the resurgence of infections in autumn.

**Bosnia and Herzegovina recorded a non-negligible drop in tax revenues because of the pandemic.** The FBiH Tax Administration collected revenues amounting to BAM 2,057 million (around €1 billion) for the period January–May 2020, which is 6.47 per cent less than for the same period of 2019.<sup>32</sup> Similarly, the RS Tax Administration collected public revenues in the amount of BAM 1,037 million, that is 6 per cent less than during the same period in the previous year.<sup>33</sup>

**Figure 3.9 Projected impact of COVID-19 crisis on BiH economy (% of GDP)**



Source: EBRD Regional Economic Prospects (September 2020); WB Regular Economic Report (Fall 2020); IMF World Economic Outlook Report (October 2020).

### 3.2 Indirect effects due to regional and global interdependence

**Bosnia and Herzegovina is a small, open economy, highly interconnected with the economies of the region, the EU and the rest of the world.** Therefore, political and economic decisions in other countries will significantly affect it. With foreign trade accounting for almost 88 per cent of GDP in 2019,<sup>34</sup> the trade channel is a main transmission mechanism for the Covid-19 crisis. Restrictions on travel, disruptions in supply chains, the possibility of economic protectionism and economic decline in countries receiving seasonal workers from Bosnia and Herzegovina or hosting BiH diaspora are potential threats. Personal remittances, which amounted to 10.9 per cent of the county's GDP in 2019, are expected to decline sharply.<sup>35</sup> Although sound country-specific forecasts in this regard are lacking at the moment, the World Bank projected that remittances to low and middle-income countries will drop by 19.7 per cent in 2020.<sup>36</sup>

31 EBRD: Regional Economic Prospects in the EBRD Regions - September 2020 update. Covid-19: Early estimates of the damage and uncertain recovery, <https://www.ebrd.com/documents/comms-and-bis/rep-final-v8.pdf>

32 FBiH Tax Administration. <https://bit.ly/38kHcV1>

33 Representative of the RS Tax Administration. <https://bit.ly/2ZwCH5A>

34 Agency for Statistics BiH: Export+import in 2019: BAM 30,991,150,000, [http://bhas.gov.ba/data/Publikacije/Bilteni/2020/ETR\\_00\\_2019\\_TB\\_0\\_BS.pdf](http://bhas.gov.ba/data/Publikacije/Bilteni/2020/ETR_00_2019_TB_0_BS.pdf).

Central Bank BiH, nominal GDP in 2019: BAM 35,229,000,000, [http://statistics.cbbh.ba/Panorama/novaview/SimpleLogin\\_bs\\_html.aspx](http://statistics.cbbh.ba/Panorama/novaview/SimpleLogin_bs_html.aspx)

35 World Bank: Personal remittances, received (% of GDP) - Bosnia and Herzegovina, 2020, <https://bit.ly/3gRmbUK>

36 World Bank: World Bank Predicts Sharpest Decline of Remittances in Recent History, April 2020, <https://bit.ly/3gNKuTD>

According to IMF projections, declining demand among key trade partners, accounting for two-thirds of total trade, in 2020, will be followed by recovery in 2021. China is an exception in that GDP may still slightly grow in 2020 (Table 3.1). As shown in Table 3.2, exports dropped by 14.2 per cent in March and 32.7 per cent in April 2020 compared with the same months in 2019. This will result in a reduced level of production and stockpiling among the largest export-oriented companies.

**Table 3.1 Shares in trade and estimated GDP changes, main trade partners (%)**

Country	Share in trade	2020 (estimated)	2021 (estimated)
Germany	12.95	-7.0	5.2
Italy	11.72	-9.1	4.8
Serbia	11.16	-3.0	7.5
Croatia	11.04	-9.0	4.9
Slovenia	6.17	-8.0	5.4
Austria	5.85	-7.0	4.5
China	4.77	1.2	9.2
Turkey	4.06	-5.0	5.0

Source: Foreign Investment Promotion Agency of Bosnia and Herzegovina (2020). Trade Position and Performance. <https://bit.ly/3dUGbUY>. IMF (2020). World Economic Outlook, April 2020: The Great Lockdown. <https://bit.ly/389pfj7>

**Table 3.2 Reduction in international trade (%)**

	March 2020		April 2020	
	Annual change	Monthly change	Annual change	Monthly change
Trade volume	-15.7	-6.6	-34.3	-21.5
Exports	-14.2	-8.2	-32.7	-17.9
Imports	-16.5	-5.6	-35.3	-23.6

Source: Authors' calculations based on Agency for Statistics of Bosnia and Herzegovina (April 2020). Economic Statistics: BiH International Trade in Goods Statistics, January–March 2020. <https://bit.ly/3o1K8fQ> and Agency for Statistics of Bosnia and Herzegovina (April 2020). Economic Statistics: BiH International Trade in Goods Statistics, January–April 2020. <https://bit.ly/2KRcY4t>

Amidst the crisis, many countries started turning to inward-looking measures to support domestic production. Since 2016, Bosnia and Herzegovina has been experiencing FDI growth on a year-on-year basis. According to preliminary data published by FIPA, FDI was 14.5 per cent higher in 2019 at €459 million, compared with €401 million in 2018.<sup>37</sup> It can be expected, however, that the positive trend in FDI inflow will be interrupted – that is, fall substantially – because of unfavourable global economic trends in 2020.

**The contraction in tourism and related sectors (accommodation, food and beverages, transport, real estate, retail trade) will also contribute to driving down private consumption.** The tourism sector was immediately and tremendously affected by the crisis. During the first five months of 2020, the number of tourist nights dropped by 59.7 per cent compared with the same period of the previous year. Particularly, the number of overnights was lower by 65.7 per cent in March 2020, by 97.3 per cent in April 2020 and by 95.2 per cent in May 2020 compared with the corresponding months in 2019. Several hotels announced their closure starting from summer due to cancellations and insufficient state support. The manufacturing sector has been going through a turbulent period since the beginning of the crisis because of disruptions in both the upstream and downstream global supply/value chains, but also because of the decline in demand in some industries. For the sake of illustration, the textile industry has been heavily impacted from the very beginning of the crisis. First, it experienced a lack of inputs due to the disruption of supply chains. Many companies were facing challenges in the acquisition of inputs (raw materials) from Italy as early as February and early March 2020. Lockdowns and restrictions in the main export markets for the fashion industry (primarily Italy and Germany) negatively affected the export of the final textile products. Furthermore, a drop in demand for cars and a consequent decline of the automotive industry poses a threat to the local textile companies involved in this industry's value chains (car seats). In-depth analyses of the intensity of the impact are still lacking, however.

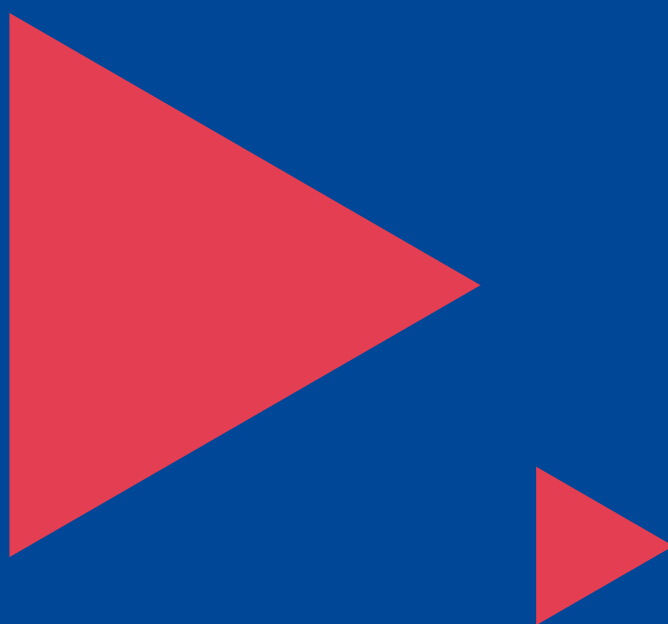
<sup>37</sup> Foreign Investment Promotion Agency (2020). FDI Position and Performance. <https://bit.ly/2D1k6qX>



# ► 04

## ► Transmission to the labour market

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The Covid-19 pandemic hit Bosnia and Herzegovina following a year of slower GDP growth, with the economy losing about 21,000 jobs. The ILO nowcasting model shows an employment contraction in the Western Balkan economies during the first quarter of 2020, estimated at a 4.5 per cent decline in working hours. This target variable reflects both lay-offs and other temporary reductions in working hours. The estimated loss of working hours for the second quarter is 14.5 per cent.<sup>38</sup>

Unemployment is clearly not the best indicator of the immediate labour market impact of the crisis.<sup>39</sup> The ILO suggests that the number of working hours lost every week due to the crisis should be considered instead, transformed for the purpose of illustration into full-time equivalents (FTE). The short-term impacts are likely to be extremely bad, as many economic activities have had to stop completely, while others have operated at reduced capacity. Importantly, however, not all workers who stopped working during the lockdown were immediately unemployed. Some employers opted to continue paying their workers, either from their own resources or with the support of the newly introduced employment retention programmes, hoping that the worst of the crisis would soon be over. Until the end of June 2020, the ILO was able to produce nowcasting estimates at the aggregate level for the Western Balkan economies. Lately, the availability of high-frequency indicators for some countries has made the production of a direct nowcast possible. The estimates incorporate data from diverse sources. They include: the labour force survey, administrative data on the labour market (for example, registered unemployment and unemployment benefit claims), the purchasing managers index, national accounts data, consumer and business confidence data, as well as up-to-date mobile phone data from Google Community Mobility Reports, Google Trends data, and values of the Covid19 Government Response Stringency Index, along with data on the incidence of Covid-19.

**Table 4.1 Working hours and full-time equivalent (FTE) jobs lost in the Western Balkans and selected countries**

Reference area	Time	FTE jobs lost (40 hours)	FTE jobs lost (48 hours)	Percentage of hours lost
Western Balkans	2020 – Q1	190 000	160 000	2.9
Western Balkans	2020 – Q2	1 170 000	970 000	17.3
Western Balkans	2020 – Q3	810 000	680 000	12.0
Bosnia and Herzegovina	2020 – Q1	40 000	30 000	3.6
Bosnia and Herzegovina	2020 – Q2	220 000	180 000	20.3
Bosnia and Herzegovina	2020 – Q3	170 000	140 000	16.2
North Macedonia	2020 – Q1	50 000	40 000	5.8
North Macedonia	2020 – Q2	110 000	100 000	14.0
North Macedonia	2020 – Q3	90 000	70 000	10.6
Serbia	2020 – Q1	60 000	50 000	1.7
Serbia	2020 – Q2	580 000	480 000	16.8
Serbia	2020 – Q3	380 000	320 000	11.0

Source: ILO Nowcasting model (23 September 2020). FTE rounded to the nearest 10,000.

<sup>38</sup> ILO Monitor: Covid-19 and the world of work. Updated estimates and analysis. Fifth edition, 30 June 2020, [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_749399.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_749399.pdf)

<sup>39</sup> ILO Monitor: Covid-19 and the world of work. Second edition, 14 April 2020.

The direct nowcast for Bosnia and Herzegovina indicates that the number of FTE jobs lost in the second quarter of 2020 was 220,000. In the third quarter, FTE jobs lost totalled 170,000, of which over 93,000 were lost in the Federation of Bosnia and Herzegovina, and almost 74,000 in Republika Srpska.<sup>40</sup> Full-time equivalents should not be taken to be the actual number of jobs lost, however, given the multiplicity of transmission mechanisms through which the crisis has impacted workers and enterprises in Bosnia and Herzegovina (as elaborated in Section 3). Additionally, the different layers of government in Bosnia and Herzegovina implemented employment retention measures and other schemes during the second and, partially, the third quarter of 2020. Nevertheless, full-time equivalents provide a useful metric, on the assumption that not all will translate into actual job losses. Based on data from around the world, the latest ILO analysis indicates that working-hours losses do translate into higher levels of unemployment and inactivity, but also that inactivity grows to a greater extent than unemployment.<sup>41</sup>

Unemployment rates, levels of registered unemployment and other related indicators will play a more significant role in guiding policy decisions during the reactivation and recovery phases.

In April 2020, more than 18,000 new people registered as unemployed in the Federation of Bosnia and Herzegovina. As of the end of May, there were around 325,800 registered unemployed, 17,200 more than in the same month in 2019. In May 2020, the employment offices paid cash benefits to 19,000 unemployed, compared with 12,500 in March. According to the data of the Employment Institute of Republika Srpska, in April 2020 the level of registered unemployment was 5.3 per cent less than in April 2019. However, around 2,150 new people had registered, compared with March 2020. In May 2020, the Employment Institute paid cash benefits in the amount of 2.5 million BAM compared with 1.4 million since the beginning of the year.

The crisis has heavily impacted the gig economy as well. The number of service contracts in the Federation of Bosnia and Herzegovina halved in April 2020, amounting to 49.8 per cent of the level in the same month of 2019 (5,089 contracts in April 2020 in contrast with 10,228 in April 2019).

As a result of the decline in business activity and employment, the level of collected social security contributions dropped notably. According to data provided by the Tax Administration of the Federation of Bosnia and Herzegovina, it fell by 12.3 per cent for pension insurance, by 14.5 per cent for health insurance and by 15.5 per cent for unemployment insurance in this entity. The total decline in the amount of paid social security contributions was especially marked among the self-employed (by 49.5 per cent), compared with –6.6 per cent among employees (wage workers).

## 4.1 Beyond unemployment: workers and enterprises at risk

This section builds on the methodology used in the ILO Monitor on Covid-19 and the World of Work.<sup>42</sup> Based on real-time economic and financial data, the impact of the crisis on economic output can be assessed at the sectoral level. Some of the results of the enterprise survey conducted by the employers' organizations are used to calibrate this assessment. The next section provides estimates of work and enterprises at risk, based on identification of the sectors most vulnerable to severe declines in economic output.

### 4.1.1 Mapping labour vulnerabilities at sectoral level

The mapping of labour vulnerabilities at sectoral level takes into consideration 46 sectors<sup>43</sup> of the economy, representing around 94 per cent of the workforce in Bosnia and Herzegovina. The same sectors are used to disaggregate results at entity level, using only two entities: the Federation of Bosnia and Herzegovina, and Republika Srpska. The data pertaining to Brcko District are not used in this analysis because of limita-

<sup>40</sup> Given the modalities in which nowcasting works and the disparities in the availability of high-frequency data at entity level, these estimates should be taken as ballpark figures. Also, it would not be accurate to estimate full-time equivalents in Brcko District simply as a residual.

<sup>41</sup> ILO Monitor: Covid-19 and the world of work. Updated estimates and analysis. Sixth edition, 23 September 2020, [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms\\_755910.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf)

<sup>42</sup> Available at: <https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/lang--en/index.htm>

<sup>43</sup> This refers to a two-digit classification of economic activities within the NACE framework (NACE Rev. 2).

tions related to representativeness in the labour force survey. A number of factors are used to determine the relative vulnerability level of each sector in terms of exposure to negative shocks. These factors include the incidence of self-employment (with particular consideration given to own-account workers) and informal employment; the precariousness of contracts (with special consideration for temporary and part-time work); wage levels; and the presence of micro-enterprises (up to 10 employees). A sector's aggregate labour vulnerability is estimated with a five-point granularity: low; low-medium; medium; medium-high; high. Overall, 25 sectors are considered medium-high or highly vulnerable to the shocks generated by the crisis, representing around 61 per cent of total employment (Table 4.2).

Women, who account for 67 per cent of jobs in the health and care sector in Bosnia and Herzegovina, are in the frontline of the crisis. They are also overrepresented in the informal service sectors and in labour-intensive manufacturing (women represent 80 per cent of the workforce in textile and apparel manufacturing, and 67 per cent in leather manufacturing, for instance). When the gender dimension is taken into consideration, there is a slight shift from sectors with lower vulnerability and 64 per cent of total employment falls into medium-high and high-vulnerability sectors.<sup>44</sup> When the age dimension is analysed, about 69 per cent of employment is in medium-high and high-vulnerability sectors, particularly because of the presence of young workers in light manufacturing (wood and metal), and in tourism-related activities. With regard to age-related vulnerabilities, this first edition of the Assessment looks only at the specific situation of young people (15–29 years of age) in the labour market. It adjusts the analysis of sectoral vulnerabilities by taking into consideration the findings from previous global crisis concerning factors that make youth employment pro-cyclical, including a higher SME share of employment (ILO, OECD, IMF). Further iterations of the report are to take into consideration also the heightened vulnerabilities of older workers during this health crisis.

**Table 4.2 Exposure to shocks**

	Total vulnerability		Gender-related vulnerability		Age-related vulnerability	
	No. of sectors	Share of employment (%)	No. of sectors	Share of employment (%)	No. of sectors	Share of employment (%)
Low vulnerability	4	12.8	3	8.6	4	12.8
Low-medium vulnerability	7	10.6	5	7.1	5	8.8
Medium vulnerability	10	10.0	9	14.5	5	3.7
Medium-high vulnerability	10	8.2	14	11.4	6	5.7
High vulnerability	15	52.6	15	52.6	26	63.1

Source: Authors' calculations based on the LFS.

Table 4.3 presents employment shares in vulnerable categories disaggregated by entity. Labour vulnerability appears to be less pronounced in the Federation of Bosnia and Herzegovina than in Republika Srpska, as signified by the share of employment in medium-high and high vulnerability sectors (52.8 per cent and 64.4 per cent, respectively). However, Republika Srpska also has a slightly higher share of employed in the low-vulnerability sectors. When the gender dimension is taken into consideration, the share of vulnerable employment only marginally increases in Republika Srpska (by 2 percentage points), while employment in sectors with high vulnerability increases by almost 12 percentage points in the Federation. This is partly explained by the fact that there is a higher concentration of women in

<sup>44</sup> For the purpose of outlining sectoral vulnerability profiles, a sector is considered female-dominated if the share of women exceeds the median share of women in sectors economy-wide. This is likely to provide more accurate results, as women face lower employment and higher unemployment and inactivity rates than men. The same logic applies when the analysis introduces age-related considerations.

lower-vulnerability sectors in Republika Srpska compared with the Federation. When the age dimension is taken into consideration, employment in medium-high and highly vulnerable sectors increases by about 5 percentage points in Republika Srpska (compared with the baseline scenario), but shoots up by about 12 percentage points in the Federation. Such differences in vulnerability profiles of labour sub-markets may have important implications for how the Covid-19 crisis continues to affect the Bosnian economy.

**Table 4.3 Exposure to shocks, by entity (share in employment)**

	Total vulnerability		Gender-related vulnerability		Age-related vulnerability	
	FBIH	RS	FBIH	RS	FBIH	RS
Low vulnerability	10.1%	16.1%	10.1%	8.2%	10.1%	10.8%
Low-medium vulnerability	13.8%	8.9%	3.7%	14.5%	9.2%	9.4%
Medium vulnerability	15.7%	7.6%	17.4%	6.6%	8.1%	6.2%
Medium-high vulnerability	16.8%	10.5%	13.4%	8.4%	13.6%	3.6%
High vulnerability	36.0%	53.9%	47.8%	58.1%	51.3%	65.7%

Source: Authors' calculations based on the LFS.

Annex 1 provides a detailed mapping of sectoral labour vulnerabilities at the two-digit level.

### 4.1.2 Work and enterprises at risk

A similar approach is taken in order to identify work and enterprises at risk in specific sectors. In addition to the sectoral distribution of economic units, the analysis also considers different types of enterprises (employers and non-employer enterprises,<sup>45</sup> or own-account workers), along with employment by size of economic units. The analysis uses the two Enterprise Surveys conducted at the entity level by the employers. In order to account for specificities at local level these are not combined.<sup>46</sup> More than two-thirds of all employers and non-employer enterprises are in hard-hit sectors. Many of these sectors are characterized by varying degrees of informality and the policy space for responding to the needs of such enterprises is currently limited, or non-existent.

Workplace closures had an immediate and severe impact on enterprises' current operations and have left them at high risk of insolvency. Even when containment measures were lifted, surviving enterprises continued to face challenges. Multiple sources indicate that the recovery is likely to be uncertain and slow. For enterprises involved in global supply chains, disruptions to suppliers and consumers in other countries will continue to suppress demand for their goods. Returning to business as usual is likely to require significant adjustments, with cost implications, including securing safe work environments. In the absence of effective policies, these new requirements are likely to impose a severe constraint on enterprises.

The enterprise surveys help to determine the relative impact of the shock on the sectors of operation. Due to limitations in the enterprise surveys, the detailed analysis uses 30 and 34 sectors in the Federation

<sup>45</sup> For the purpose of this note, the term "non-employer enterprises" refers to independent workers without employees. This consists of owner-operators of firms without employees and own-account workers in household market enterprises without employees, which are the official terms in the Resolution concerning statistics on work relationships, 20th International Conference of Labour Statisticians, [https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms\\_648693.pdf](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---stat/documents/meetingdocument/wcms_648693.pdf)

<sup>46</sup> The drawback of these surveys is that the classification of sectors is at one-digit NACE Rev.2. Therefore, the analysis assumes homogeneity of the impact within the 1-digit NACE group. Moreover, there is no full coverage of sectors. The survey of the Federation covers 65.2 per cent of the sectors identified in the vulnerability analysis, while the survey of Republika Srpska covers 79.6 per cent.

and in Republika Srpska, respectively.<sup>47</sup> Table 4.5 shows that a majority of sectors in Republika Srpska reported a high impact (47.1 per cent). The harder impact of the crisis on enterprises in Republika Srpska is concomitant with the higher vulnerability identified in Section 4.1.1.

**Table 4.4 Impact of the Covid-19 pandemic at sectoral level: Federation**

		Impact					
		Low	Low-medium	Medium	Medium-high	High	Total
Vulnerability	Low	0	1	0	1	0	2
	Low-medium	2	1	0	5	0	8
	Medium	0	0	1	3	0	4
	Medium-high	0	0	1	4	2	7
	High	0	0	3	6	0	9
	Total	2	2	5	19	2	30

Source: Authors' calculations.

**Table 4.5 Impact of the Covid-19 pandemic at sectoral level: Republika Srpska**

		Impact					
		Low	Low-medium	Medium	Medium-high	High	Total
Vulnerability	Low	1	1	0	1	2	5
	Low-medium	0	3	0	1	2	6
	Medium	1	1	0	0	5	7
	Medium-high	1	0	1	3	4	9
	High	0	0	2	2	3	7
	Total	3	5	3	7	16	34

Source: Authors' calculations.

Table 4.6 cross-tabulates the degree of exposure to shocks (based on the labour vulnerabilities of each sector) and the magnitude of the shock, at five degrees of granularity. The light-grey cells mark the sectors with medium-high and high vulnerabilities, which have been strongly impacted by Covid-19 (medium-high and high impact). The dark-grey cells highlight the area of greatest concern. There are 12 sectors in both the Federation and in Republika Srpska that fall within the darker-grey cells. In the Federation, these sectors employ 35.6 per cent of workers; in Republika Srpska, 54.3 per cent of workers fall within these 12 sectors.<sup>48</sup> Jobs in highly vulnerable sectors, which have also been severely impacted, are considered to be at high risk of being lost.

<sup>47</sup> One of the limitations of the surveys is that they map sectors of operation at the one-digit level of the NACE Rev.2 classification. Therefore, the analysis assumes homogeneity of impact within the one-digit NACE group. Additionally, for a few sectors there were insufficient respondents. The survey of the Federation covers 65.2 per cent of the sectors identified in the vulnerability analysis, while the survey of Republika Srpska covers 79.6 per cent. Given these limitations, the Task Force was able to identify the impacts of the crisis directly for 30 sectors in the Federation and for 34 sectors in Republika Srpska (out of 46). Companies were asked, "What has been the level of financial impact (revenue or sales) on your business and disruption to business operations?", on a scale of 1 (no impact) to 5 (full impact – decline of revenues exceeding 50 per cent). Because of the non-negligible share of no responses in the Republika Srpska, two complementary questions were used, measuring the anticipated drop in revenues and the business survival probability if the crisis persists. The size of the relative impact is calculated as the sector-specific average based on the enterprise survey.

<sup>48</sup> These percentages might have been higher if information to assess risk had been available for all one-digit sectors.

**Table 4.6 Share of employment at risk of being lost**

		Impact									
		Federation of BiH					Republika Srpska				
		Low	Low-medium	Medium	Medium-high	High	Low	Low-medium	Medium	Medium-high	High
Vulnerability	Low	0.0	1.5	0.0	0.8	0.0	0.4	0.4	0.0	3.2	1.1
	Low-medium	1.8	1.6	0.0	4.7	0.0	0.0	4.8	0.0	1.5	2.1
	Medium	0.0	0.0	0.8	5.9	0.0	0.8	0.6	0.0	0.0	4.0
	Medium-high	0.0	0.0	1.3	5.9	8.9	0.7	0.0	1.0	5.5	2.7
	High	0.0	0.0	11.3	20.8	0.0	0.0	0.0	4.8	36.7	9.3

Source: Authors' calculations.

The 12 sectors that are highly vulnerable to and impacted by Covid-19 in the Federation of Bosnia and Herzegovina, and in Republika Srpska are as follows:

Federation of Bosnia and Herzegovina	Republika Srpska
Wholesale trade, except for motor vehicles and motorcycles	
Wholesale and retail trade and repair of motor vehicles and motorcycles	
Retail trade, except for motor vehicles and motorcycles	
Land transport and transport via pipelines	
Crop and animal production, hunting and related service activities	
Forestry and logging	Food and beverage service activities
Repair and installation of machinery and equipment	Accommodation
Manufacture of wearing apparel	
Manufacture of rubber and plastic products	
Manufacture of food products	Manufacture of wood and of products of wood and cork
Manufacture of wood and of products of wood and cork	Manufacture of other non-metallic mineral products
Manufacture of other non-metallic mineral products	Manufacture of food products

The sectors are to a large extent the same in both entities. Differences appear in the food-associated sectors (both in manufacturing and in services) and accommodation, which are highly impacted in Republika Srpska, but not in the Federation. Also, forestry and logging appear on the list for the Federation because of higher labour vulnerabilities. A note of caution is necessary in considering manufacturing branches (items 8–12 in the above lists), which may not be impacted equally severely, but appear on the list because they belong to the broad manufacturing sector, which in the enterprise surveys was evaluated in its entirety.

**In the Federation of Bosnia and Herzegovina 97,000 jobs are at immediate risk in these sectors,<sup>49</sup> which could imply a loss of 22 percentage points in the employment rate,** if adequate support measures are not implemented during the reactivation and recovery phases. According to the analysis conducted on workers and enterprises at risk (Section 4.1), there are 53,000 workers in micro-enterprises of up to 10 workers in these sectors. Almost 17,000 workers (that is, more than 16 per cent of wage employment in the 12 sectors at risk) have only fixed-term and temporary contracts.

**In Republika Srpska, 148,000 jobs are at immediate risk, which could imply a loss of 42 percentage points in the employment rate,** if adequate support measures are not implemented during the reactivation and recovery phases. According to the analysis conducted on workers and enterprises at risk (Section 4.1), there are 61,000 workers in micro-enterprises of up to 10 workers in these sectors. Almost 14,000 workers (that is, more than 17 per cent of wage employment in these 12 sectors) have only fixed-term and temporary contracts.

The tables in Annex 2 provide a cross-tabulation of the mapping of sectoral labour vulnerabilities and an assessment of the impact of the crisis.

The greater impact of the crisis on workers and micro-enterprises already in a vulnerable position in the labour market risks exacerbating working poverty and existing inequalities. The ILO's global estimates show that informal workers' monthly average labour income would fall by 27 per cent in upper-middle-income countries, 70 per cent in high-income countries and 74 per cent in lower-middle and low-income countries. With further increases in income inequality among workers, an even greater proportion of informal economy workers would be left behind. Assuming a situation without any alternative income sources, lost labour income would increase relative poverty for informal workers and their families by more than 21 percentage points in upper-middle-income countries, almost 54 points in high-income countries and 55 points among lower and low-income countries.

## 4.2 Mitigating vulnerabilities: the role of labour market institutions

Since the beginning of the crisis, governments and social partners in countries with strong labour market institutions have had three main avenues for protecting jobs and workers' incomes. A first line of intervention is employment retention schemes, aimed at preserving employment while enterprises wade through the crisis. This includes different types of schemes, including job-sharing and voluntary reductions in working hours. Temporary income support schemes have also been used for workers who are not generally eligible for employment retention measures (self-employed and seasonal workers, workers in atypical forms of work). A second line of intervention is to expand support for workers who will lose their jobs because of the economic slowdown by temporarily relaxing eligibility criteria for unemployment benefit and jobseeker allowance. A third line of intervention is the expansion of social protection tools (such as social assistance and activation schemes) for persons and households that do not qualify for job retention measures and protection against unemployment schemes.

In line with some of the pathways illustrated above, the authorities in Bosnia and Herzegovina have adopted a series of temporary measures to prevent or mitigate the negative economic and social consequences of the crisis (see Annex 4 for a list of the measures and Section 5 for a review of the impacts).

In line with some of the pathways illustrated above, the Governments of the Federation of Bosnia and Herzegovina and of Republika Srpska have adopted a series of temporary measures to prevent or mitigate the negative economic and social consequences of the crisis (see Annex 4 for a list of measures and Section 5 for a review of impacts). The Labour Inspectorate and trade unions have been called upon to play a significant role in negotiating and monitoring safe returns to workplaces, in partnership with employers and their organizations, during the reactivation phase.<sup>50</sup>

<sup>49</sup> This is the total number of jobs in these 12 sectors that have at least one major dimension of vulnerability: informal jobs, jobs in micro-enterprises, temporary or short-term contracts, and so on.

<sup>50</sup> Some resources are already available at: [https://www.ilo.org/global/topics/safety-and-health-at-work/resources-library/publications/WCMS\\_745549/lang--en/index.htm](https://www.ilo.org/global/topics/safety-and-health-at-work/resources-library/publications/WCMS_745549/lang--en/index.htm)



The crisis has raised some questions concerning the adequacy of labour legislation in times of crisis caused by natural or other disasters involving emergency conditions. Although the FBiH Government has made a number of recommendations to employers, it considers that some provisions related to work organization, as well as rights and obligations deriving from the employment relationship cannot be applied adequately in emergency situations, as reality bears out. In April, the Government proposed amendments to the Labour Code concerning the organization of the work process in emergency conditions, including shortening and redistribution of working hours, wage cuts, exercising the right to annual leave, paid and unpaid leave, and furloughing workers. The social partners requested a series of adjustments and the second draft of the amendments was completed in May.

According to the Federation of Bosnia and Herzegovina's Labour Code, protections in the case of interruption of an employer's activity for which workers are not responsible (force majeure, temporary delays in production and so on) are provided through wage compensation during the period when work is suspended, in accordance with collective agreements, the company rulebook and employment contracts. In Republika Srpska, workers are entitled to paid leave in the event of force majeure or breakdown of machinery or other things that prevent workers from meeting their obligations stemming from the employment contract. During paid leave the worker is entitled to wage compensation of at least 50 per cent of the wage. Article 91 of the Labour Code in Republika Srpska lays down that the employer, in consultation with the trade union, or works' council if there is no trade union at workplace level, may put the worker on paid leave (*on hold*) in the event of an unplanned temporary reduction of work by their employer, and for economic-financial or technical-technological reasons. During the paid leave workers are entitled to wage compensation of at least 50 per cent of the average wage they earned in the previous three months. The law does not limit the waiting period, nor has it set mutual rights and obligations on this basis, but has left them to be regulated by collective agreement. In order to declare lawful redundancy the employer is obliged to adopt a redundancy programme that needs to be submitted to the trade union and the Public Employment Institute.

Severance pay is granted to workers who have employment contracts for an indefinite period of time, if (i) dismissal is justified on economic, technical or organizational grounds (FBiH), or (ii) because of technological, economic or organizational changes, because a specific job is no longer needed, or because the employer cannot provide the worker with another job as a result of a decrease in the volume of work (Republika Srpska). This means that fixed-term workers are not entitled to severance pay. Dismissed workers with indefinite employment contracts or employed on fixed-term contracts are entitled to unemployment benefits, in accordance with the laws on mediation in employment and social security of the unemployed, provided that other conditions laid down in these laws have been met. The Labour Code does not specify workers' protections in the case of mandatory isolation or quarantine.<sup>51</sup> Instead, the issue of wage compensation of compulsorily insured persons in the case of temporary incapacity to work is regulated by the laws on health insurance, as follows: (i) if the incapacity is due to illness or for treatment; and if the person has been isolated as a carrier of disease or because infection has been detected in their environment, wage compensation is set at a minimum of 80 per cent of the compensation base, and cannot be lower than the amount of the minimum wage applicable for the month for which the compensation is determined (FBiH); and (ii) if the incapacity is due to illness or injury, isolation as a carrier of disease, or because infection has been detected in their environment, wage compensation ranges from 70 to 90 per cent of the net wage that the insured person would have earned if they had remained at work.<sup>52</sup> The Rulebook on exercising the right to wage compensation during temporary incapacity for work stipulates that the amount of wage compensation provided from compulsory insurance funds shall be 90 per cent if the incapacity for work is caused by isolation as a carrier of disease or due to the presence of infection in the person's environment (Republika Srpska).<sup>53</sup>

Based on a review of the measures and the current legal framework, there are some categories of workers whose legal position requires additional attention during this crisis. These include: workers who face

<sup>51</sup> Isolation and quarantine measures are governed by the Laws on Protection of the Population from Infectious Diseases of the Federation BiH and Republika Srpska.

<sup>52</sup> Art. 31 of the Law on Health Insurance of Republika Srpska.

<sup>53</sup> Art. 23, para 2 of the Rulebook, Official Gazette of Republika Srpska, Nos. 63/08, 38/10, 61/11, 87/12, 100/14, 04/15, 08/16, 112/18 and 87/19.

termination of employment by mutual agreement,<sup>54</sup> workers employed on a temporary basis (fixed-term workers, and non-standard workers with contracts for temporary or occasional work), and workers facing a unilateral decision by the employer to reduce working hours (and, accordingly, wages). The Labour Code does not envisage an obligation for the employer to extend the duration of time-bound contracts in extraordinary circumstances. Exceptions concerning the termination of employment contracts are laid down for (i) a woman or a worker if any of the following rights are exercised: during pregnancy, use of maternity leave; when exercising the right to work half-time after the expiration of maternity leave; working half-time for up to three years after the birth of a child, if the child needs increased care (FBiH); and (ii) for a woman during pregnancy or use of maternity leave (Republika Srpska). Contracts for temporary or occasional work can last 90 working days at most during one year. In that case, no special guarantees are envisaged in terms of the amount of compensation in case of interruption of operations, with no responsibility on the part of the employer, or any other guarantees for the protection of workers' status. Rights and duties arising for the signatory parties are governed by the relevant laws.

Even though it is too early to report on the number and types of breaches of the provisions mentioned in the preceding paragraph during the crisis, some labour law practitioners report that during this period some workers have sought court protection against the termination of their employment contracts, unilateral employer decisions on shortening working hours, as well as against disciplinary procedures. However, details are not available on why such procedures were initiated. This underlines the importance of meeting legal deadlines for seeking court protection, given that such deadlines have not been suspended.<sup>55</sup> Trade unions have insisted that employers comply with labour law provisions in terms of providing severance pay to dismissed workers. They have also called out abuses of employment termination by mutual agreement: some employers have put pressure on workers to sign blank documents by means of which employers were able to deprive them of their rights, including those guaranteed to them by employment legislation.<sup>56</sup>

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<sup>54</sup> By accepting mutual termination of the employment contract workers lose the right to the severance pay to which they would have been entitled, provided that they have had at least two years of uninterrupted work with the employer. They also lose other rights (cash benefits, health and pensions and disability insurance) as foreseen in the law on unemployment insurance.

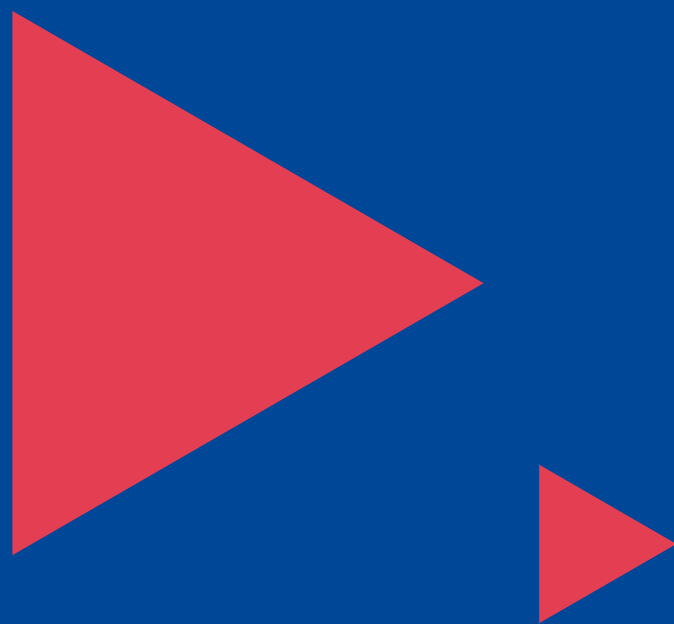
<sup>55</sup> <https://startbih.ba/clanak/vruca-tema-kakva-su-prava-radnika-u-bih-u-vrijeme-ove-ekonomске-krize/126427>

<sup>56</sup> <https://www.dw.com/bs/radnici-u-bih-bez-posla-i-prava-zbog-korona-virusa/a-53182831>

# ► 05

## ► Policy responses and gaps

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## 5.1 Overview of the policy response<sup>57</sup>: four key pillars based on international labour standards

As of 12 July 2020, the authorities of Bosnia and Herzegovina adopted several sets of policy measures to mitigate the impacts of Covid-19 on the economy and the world of work. A summary is included in Annex 4. Policy measures are organized around four pillars based on international labour standards. The ILO uses this framework to structure dialogues on policy responses at the global level. Naturally, some policy measures cut across several pillars and are mutually reinforcing. Furthermore, as noted in Section 1, the relative effectiveness of some aspects of the policy packages depends on their implementation during the right phase of the crisis.

**Figure 5.1 Covid-19 and the world of work: policy responses**



Source: ILO, 2020.

In order to facilitate cross-country comparison, some ongoing research (Bruegel University, IMF) structures discretionary fiscal responses to Covid-19 into three categories: immediate fiscal impulse, deferrals and other liquidity provisions and guarantees.<sup>58</sup>

<sup>57</sup> This review considers only adopted measures. Other measures under discussion will be added to the analysis when adopted.

<sup>58</sup> Immediate fiscal impulse: additional government spending (for example, on medical equipment and staff, keeping people employed, subsidising SMEs, public investment) and forgone revenues (such as the cancellation of certain taxes and social security contributions). Deferrals (in principle they should be paid back at a later time): payments, including taxes and social security contributions, servicing of loans, the payment of utility bills (even if the loans were granted by private banks and utilities are provided by private providers). Other liquidity provisions and guarantees: these measures include export guarantees, liquidity assistance, credit lines through national development banks. <https://www.bruegel.org/publications/datasets/Covid-national-dataset/>

**Table 5.1 Discretionary fiscal response (as of 14.07.20)**

	Total pledged (% of 2019 GDP)	Total actual (% of 2019 GDP)	Immediate fiscal impulse (million EUR)	Deferrals (million EUR)	Other liquidity/ guarantees
WB-6	tba	tba	tba	tba	tba
Bosnia and Herzegovina	N/A	0.44 <sup>59</sup>	80 <sup>60</sup>	Limited information	Limited information
Montenegro	3.6	1.27 <sup>61</sup>	34.6 <sup>62</sup>	28 <sup>63</sup>	No information to date
North Macedonia	5	tba	60	Limited information to date <sup>64</sup>	No information to date
Serbia	11	5	2400 <sup>65</sup>	tba	No information to date

Source: Authors' elaboration.

The Governments in Bosnia and Herzegovina started to introduce various policy measures to tackle the negative social and economic impacts of the COVID-19 crisis from late March 2020.<sup>66</sup>

In the Federation of Bosnia and Herzegovina, the key entity-wide employment retention measure takes the form of subsidies covering social security contributions in favour of businesses experiencing a revenue loss of at least 20 per cent due to the pandemic. The amount of the monthly subsidy is BAM 244.85 (€125.4)<sup>67</sup> per employee, which represents the amount of social contributions to be paid on the minimum wage. At the level of the minimum wage, the subsidy amounts to 37.2 per cent of total labour costs and it diminishes as the wage goes up. For remuneration above the minimum wage, employers (businesses and sole proprietors) are obliged to pay the difference between the subsidised part and the total amount of social contributions for that particular pay level. For companies operating in selected low-revenue activities, as identified in the law, and sole traders for whom the prescribed basis for contributions is below the minimum wage, the subsidies amount to the actual levels of contributions they are obliged to pay. This measure detaches the payment of wages from the obligation of paying contributions at the same time, meaning that the payment of the net wage is not linked to the receipt of subsidised contributions. The measure applies to wages paid from April 2020 until one month after the end of the state of disaster, de facto covering the period April–June 2020.<sup>68</sup> To be eligible for the subsidy for a specific month, however, an applicant has to experience a drop of 20 per cent or more in turnover compared with the same month in 2019.<sup>69</sup> Significantly, and surprisingly, enterprises are not obliged to keep the

<sup>59</sup> The figure refers only to employment retention schemes in the two entities. Detailed data on Brcko District and on cantonal allocations in the Federation of Bosnia and Herzegovina were not available at the time of writing.

<sup>60</sup> This is a partial amount and refers only to the employment retention schemes implemented in the two entities. Detailed data on Brcko District and on cantonal allocations in the Federation of Bosnia and Herzegovina were not available at the time of writing.

<sup>61</sup> Amount includes sum of subsidies, assistance to individuals and deferrals.

<sup>62</sup> Total amount of subsidies for enterprises and assistance to individuals.

<sup>63</sup> Since implementation commenced of the Decree on the conditions for the disposal of tax and non-tax claims, taxpayers have been able to defer liabilities in the amount of €28 million (as of 11 May): source: Tax Administration of Montenegro.

<sup>64</sup> Only preliminary data were available at the time of writing.

<sup>65</sup> Government estimate, including deferrals and loan guarantees.

<sup>66</sup> In the Federation of Bosnia and Herzegovina, the key policy measures for tackling the economic downturn were defined by the Law on Mitigation of Negative Economic Consequences [Zakon o ublažavanju negativnih ekonomskih posljedica], adopted on 7 May 2020 (also referred to as the "Corona law"). It was adopted for a period of 60 days, subject to further decision. In Republika Srpska, corresponding measures are articulated mainly by the Decree-Law on Tax Measures to Mitigate the Economic Consequences of the COVID-19 disease caused by SARS-COV-2 Virus [Uredba sa zakonskom snagom o poreskim mjerama za ublažavanje ekonomskih posljedica nastalih usljed bolesti COVID19 izazvane virusom SARS-COV-2], adopted on 10 April and amended on 14 May 2020; and the Decree on support for business entities and entrepreneurs with the purpose of remedying the consequences of the Coronavirus pandemic for April 2020 [Uredba o dodjeli sredstava poslovnim subjektima i preduzetnicima radi saniranja posljedica pandemije virusa korona za april 2020. godine].

<sup>67</sup> The subsidy is structured as follows: BAM 135.70 (€69.7) for pension and disability insurance, BAM 97.35 (€49.9) for health insurance and BAM 11.80 (€6.1) for unemployment insurance (Law on mitigation of negative economic consequences, Art. 4.2).

<sup>68</sup> In the Federation, the state of disaster was terminated on 31 May 2020, Decree on the termination of the state of disaster caused by the appearance of the Coronavirus – Covid-19 in the Federation of Bosnia and Herzegovina.

<sup>69</sup> For companies registered after April 2019, the average turnover for 2019 is used as the basis for comparison, while for companies registered in 2020, turnover in the first two months (January and February 2020) is the basis for comparison.

number of their employees above a certain absolute or relative threshold. In theory, even if firms lay off the majority of their employees, they would still be eligible for the retention incentives for the remaining employees, provided that their turnover was reduced by 20 per cent or more during that month. Along with this eligibility criterion, the condition is that all personal income taxes and contributions on wages had been paid as of February 2020. Finally, public enterprises, public or government institutions or bodies (including units of local government), banks and other financial organizations, and associations are not entitled to the support. This measure also excludes those individuals (sole proprietors) who pay income tax as a lump sum. On the other hand, formal businesses that are not included in the fiscalization system (aimed at avoiding retailer fraud), in line with the relevant laws, are entitled to subsidies.

**In the Federation of Bosnia and Herzegovina, the entity-level employment retention measures are supplemented by measures that cantons adopt independently, thus providing additional layers of job protection.** While the entity-level retention measures focus on subsidizing social security contributions, cantonal measures revolve around take-home wage (and income tax) subsidies. For the sake of illustration, Table 5.2 provides a brief description of measures in four cantons (out of 10), covering 73.5 per cent of all wage workers in the Federation of Bosnia and Herzegovina. Adopted measures vary between cantons, but are generally designed in such a way as to offer wage subsidies at the level of the minimum net wage level for firms (including sole proprietors) that were prohibited from operating during the state of emergency and, in some cases, to other businesses that have been heavily affected by the crisis. Compared with the entity-wide retention measure, cantonal schemes appear to be more generous, but with narrower coverage and stricter conditions.

**Table 5.2 Overview of employment retention measures at cantonal level (Federation of Bosnia and Herzegovina)**

Financial support rules	Period	General coverage	Eligibility conditions
Sarajevo Canton			
Wage subsidy; up to BAM 406 (the minimum net wage), depending on the period for which the prohibition was applied to particular (sub) sectors.	March 2020 (public call released 5 June 2020)	Wage subsidies for March were approved for 2,000 businesses, employing 8,600 workers. This amounts to BAM 1,410,030 in subsidies (on average, BAM 164 per employee).	Businesses prohibited from operating by the government (only for subsidies for March 2020)
Wage subsidy; up to 50% of the minimum net wage for legal entities that experienced a drop in turnover of 40–70%, and 100% of the minimum net wage for legal entities that experienced a drop in turnover higher than 70%.	April and May 2020 (public call released 5 June 2020)	The Ministry of the Economy expected that the number of approved requests would reach 3,100 businesses, employing 13,000 workers. If the same average is applied, it can be estimated that the total value of subsidies for March would be around BAM 2.1 million.  Thus, the coverage of the measure in March was between 5.6% and 8.5% for the total number of employees in the canton or between 8.1% and 12.2% of private sector workers (the number of private sector workers being estimated at 106,371).  <i>Source: <a href="https://bit.ly/2B30zp9">https://bit.ly/2B30zp9</a> Law on mitigation of negative economic consequences and savings in Canton Sarajevo (adopted on 15 May 2020): <a href="https://bit.ly/3dWxFp7">https://bit.ly/3dWxFp7</a></i>	Businesses have retained the same number of employees as at the end of February, excluding employees whose contract expired or who terminated the contract by mutual agreement with an employer.  All tax obligations have been paid as of December 2019 (for wage subsidies for March 2020) or February 2020 (for subsidies for April and May).  Public enterprises, public/ government institutions/bodies (which also includes units of local governance), banks as well as other financial organizations, associations, businesses from the gambling sector, and individuals (sole proprietors) who pay income tax as a lump sum, are not entitled to the support.  <i>Source(s): <a href="https://bit.ly/2AywBcA">https://bit.ly/2AywBcA</a> <a href="https://bit.ly/2YB0wIW">https://bit.ly/2YB0wIW</a></i>

Financial support rules	Period	General coverage	Eligibility conditions
<b>Tuzla Canton</b>			
Wage subsidies for April and May 2020; up to 100% of the minimum net wage (BAM 406). The amount of subsidy to be defined by the decree of the cantonal government for each month separately.	(public call released on 3 June 2020)	Source(s): <a href="https://bit.ly/2XZG2eb">https://bit.ly/2XZG2eb</a>	Businesses prohibited from operating by the government or their business operations have been indirectly affected by government decisions.  Candidates have retained the same number of employees as they had at the end of February, excluding employees whose contracts expired.  All personal income taxes and contributions on wages had been paid as of January 2020.  Public enterprises, public/ government institutions/bodies (which also includes units of local governance), banks as well as other financial organizations, and associations are not entitled to the support.
<b>Herzegovina-Neretva Canton</b>			
Wage subsidies (include personal income tax); up to 100% of the minimum net wage (BAM 406) for the duration of prohibition. The amount of subsidy should be defined by the cantonal government for each month separately.	(cantonal law adopted on 22 May 2020)	Source(s): <a href="https://bit.ly/2UCfeyr">https://bit.ly/2UCfeyr</a>	Legal entities (completely) prohibited from operating by the government.  Businesses have retained the same number of employees during the period during which operations were prohibited.  All personal income taxes and contributions on wages had been paid as of February 2020.  Legal entities from the tourism and catering sectors that have been partially prohibited from operating by the government.
<b>Zenica-Doboj Canton</b>			
Wage subsidies;  50% of the minimum wage (BAM 203) for March 2020;  100% of the minimum wage (BAM 406) for April 2020.		According to the data from 9 June, wage subsidies for March were approved for 2,586 employees. The total value of approved subsidies is BAM 524,958.  According to preliminary estimates, the measure covered 3.1% of employees or 4.4% of employees in the private sector.  Source: <a href="https://bit.ly/2Y0P2Qg">https://bit.ly/2Y0P2Qg</a>	Businesses have been prohibited from operating by the government.  Public enterprises, public/ government institutions/bodies (which also includes units of local governance), banks as well as other financial organizations, and insurance companies are not entitled to the support.  Businesses have retained the same number of employees as at the end of February, excluding employees whose contracts expired or who resigned.  Source(s): <a href="https://bit.ly/2MVT7i7">https://bit.ly/2MVT7i7</a> <a href="https://bit.ly/2Y06DYj">https://bit.ly/2Y06DYj</a>

**Along with employment retention measures, the Federation of Bosnia and Herzegovina has introduced several additional measures to enhance businesses' liquidity.** For instance, advance payment of corporation tax for subsidised businesses and advance payment of income tax for subsidised independent activities (sole proprietors) were abolished for 2020. Furthermore, default interest on public revenues was not calculated and would not be paid during the state of disaster and up to 60 days after its end. The statute of limitations on tax payments and reimbursement was discontinued as of the first day of the state of disaster and the measure lasts until the thirtieth day after termination of the state of disaster.

**In Republika Srpska, two very different employment retention measures were alternated between March and May, in a specific manner. In April and after 12 May,**<sup>70</sup> the Solidarity Fund for the Reconstruction of Republika Srpska **made available a subsidy in the monthly amount of the net minimum wage** (BAM 520; €267) for **employees of legal entities, entrepreneurs and sole proprietors** (who conduct their activities as a primary business) if they had been forbidden from operating or had stopped their activities as a consequence of the pandemic (for example, because of a lack of demand or the unavailability/lack of raw materials). Contrary to practices in other countries, the subsidy was paid directly to employees (transferred to their bank accounts). It has been envisaged that all social contributions on the minimum wage (BAM 253.81; €130.3) should be covered by the Fund as well. The same applies for May 2020 to entities prohibited from operating at least until 12 May or beyond.<sup>71</sup>

During the month of March and between 1 and 11 May a different set of rules was applied. During these two periods, the full amount of contributions and income taxes was covered by the Fund **for employers/sole proprietors who were prohibited from operating in March and in May**, if this prohibition lasted until 11 May at the latest. In this case, **the full amount of contributions and personal income taxes was covered by the Fund, proportional to the level of wages that employees received.** The list of employers/sole traders that were prohibited from engaging in business operations or had to cease their operations as a result of the pandemic was prepared by the responsible ministries.

**Alongside the aforementioned subsidies, which are targeted towards businesses that were not permitted to perform their usual activities, there are additional EPMs, which are intended to provide subsidies to businesses that suffered from the economic downturn.**<sup>72</sup> **Subsidies can be claimed on the basis of (i) the partial cessation of work or (ii) reduced business volume.** The first criterion means that at least some employees stopped working because of the prohibition or the impact of the pandemic. The second criterion means a decline in turnover by 20 per cent or more in April 2020 compared with an average monthly turnover achieved during the period January–April 2019. Only one of these two criteria can be referred to when applying for subsidies, meaning that businesses cannot be supported on the basis of both criteria. In the former case, subsidies will be approved for each employee who did not perform their activities in April because of the coronavirus situation; in the latter, subsidies will be provided to the number of workers that corresponds to the overall drop in turnover. Finally, subsidies will be approved for entrepreneurs without employees (sole proprietors), if their business is registered as their primary activity. The subsidy includes the minimum net wage and all contributions and personal tax income that have to be paid on the wage (that is, it fully covers the minimum gross wage: BAM 773.81 (€397.8).

To be eligible for these measures, employers have to meet the following conditions: (i) if they employ fewer than 10 workers, they did not reduce the number of workers by more than 40 per cent in March and April 2020; (ii) that, if they employ more than 9 workers they did not reduce the number of workers by more than 10 per cent in March and April 2020. It does not include those workers who quit, whose contracts expired or who retired.

<sup>70</sup> This cut-off point was chosen on the basis that the majority of activities/businesses were allowed to reopen on 11 May (for example, dentists, gyms and fitness centres, kindergartens, hairdressers and bars).

<sup>71</sup> Decree-Law on Tax Measures to Mitigate the Economic Consequences of COVID-19 Disease caused by SARS-COV-2 Virus, Art. 13.

<sup>72</sup> In that sense, the Government of Republika Srpska adopted the Decree on support for business entities and entrepreneurs with the purpose of remedying consequences of the coronavirus pandemic for April 2020 [Uredba o dodjeli sredstava poslovnim subjektima i preduzetnicima radi saniranja posljedica pandemije virusa korona za april]. The Decree was adopted on 4 June 2020.



The following businesses are not eligible for these measures:

- ▶ banks, insurance companies and other businesses registered under the K code of NACE Rev. 2 (financial and insurance activities);
- ▶ businesses with more than 50 per cent public ownership, except legal entities registered under codes C (manufacturing), I (accommodation and food service activities) and parts of R (arts, entertainment and recreation), related to ski resorts;
- ▶ business entities/entrepreneurs prohibited from engaging in business activities or which had to completely stop business activities because of the pandemic and are entitled to subsidies under the Decree-Law on Tax Measures to Mitigate the Economic Consequences of COVID-19 Disease caused by SARS-COV-2 Virus;
- ▶ business entities/entrepreneurs registered after 29 February 2020. This means, in effect, that informal enterprises were prevented from registering quickly in order to claim benefits.

**The condition that employer had to experience a decrease in turnover of at least 20 per cent compared with the same month of 2019 (in the Federation of Bosnia and Herzegovina) or with the period January–April 2019 (in Republika Srpska) makes the measure easier to administer, but such a binary criterion also has some flaws.** For example, it excludes new businesses (for example, businesses registered a few months before the crisis started) that are, by definition, in a vulnerable phase of development. It puts young companies/start-ups at risk of disappearing. On the other hand, it includes businesses that experienced a decrease in turnover for other reasons, for example, those that may have started to experience a decline several months ago, without being influenced by the effects of COVID-19. It would be more challenging to administer the measure if additional criteria were introduced, however. While in the latter case there is no harm from the perspective of employment retention, the former case leaves employees and owners of start-ups more vulnerable to the crisis.

**Along with the employment retention measures, Republika Srpska introduced additional measures aiming at enhancing businesses' liquidity.** For instance, payment of profit tax, corporate income tax, and fees for the improvement of public forest functions and fire compensation were deferred from the end of March 2020 to the end of June 2020. Businesses/legal entities that face financial issues could ask to pay their liabilities in instalments (interest-free).

**Table 5.3 - Comparative overview of employment retention measures in Federation of Bosnia and Herzegovina and in Republika Srpska**

	Financial support rules	Period	General coverage	Eligibility conditions
FBiH	<p>Subsidy</p> <p>Lump sum amount equivalent to social security contributions (SSC) on minimum wage; BAM 244.85 (€125.4)</p> <p>Cantons: Up to the level of net minimum wage (BAM 406; €208.4); only partial for the month of March (may vary)</p>	<p>Entity: April–June</p> <p>Cantons: Usually, partial subsidy for March and full subsidy for April and May (may vary)</p>	<p>Private sector – firms and sole proprietors</p> <p>Cantons: mostly businesses that could not operate due to the pandemic (may vary)</p> <p>Excluded (at entity-level): public sector, financial sectors and sole proprietors taxed at reduced rate</p>	<p>A drop in revenues by at least 20% compared with the same month in 2019</p> <p>All personal income taxes and contributions on wages as of February 2020 had been settled by the applicant</p> <p>No retention condition (no limits on prior dismissals and no obligation to retain workers after period covered by subsidy)</p> <p>Cantons: No dismissals compared with February 2020, with exception of employees whose contracts expired or resigned (may vary)</p>
RS	<p>For enterprises that were not allowed to operate, two subsidies:</p> <p>sub A&gt; Equivalent to full contributions and income taxes, proportional to workers' wages (applicable <b>in March and May</b> if the business could start operating again as of 12 May)</p> <p>or</p> <p>sub B&gt; Lump sum set at the level of the minimum wage. This is the equivalent to BAM 773.81 (€397.8), i.e. the net minimum wages (BAM 520; €267) + SSC on the minimum wage (BAM 253.81; €130.3); (applicable <b>in April and after May 11</b> if the business could NOT restart operating)</p> <p>For enterprises affected by the economic downturn (lost market, lack of raw materials, challenges with the workforce, etc):</p> <p>sub C&gt; net minimum wage + SSC on minimum wage. In total BAM 773.81 (€397.8)</p>	<p>March–May</p>	<p>Employees of legal entities, entrepreneurs and sole proprietors</p> <p>Excluded (only applicable to sub C): financial and insurance sector; businesses with 50%+ of public ownership, except legal entities in the manufacturing, accommodation and food service activities and ski resorts; business entities/ entrepreneurs that registered after 29 February 2020.</p>	<ul style="list-style-type: none"> <li>prohibited from business activities (sub A for March and for May if a business had been prohibited from operating until 11 May; sub B for April and May if a business had been prohibited from operating after 11 May)</li> <li>affected by economic downturn (sub C, for April), if decline in revenues at least 20 per cent in April compared with the average monthly turnover during January–April 2019 <b>or</b> employees prevented from working due to restrictions</li> </ul> <p><b>Provided that:</b></p> <p>if they employ fewer than 10 workers, they did not reduce the number of workers by more than 40% in March and April 2020; if they employ more than 9 workers (i.e. 10+), they did not reduce the number of workers by more than 10% in March and April 2020.</p> <p>Does not include those workers who quit, whose contracts expired or went into retirement.</p>

**During the Covid-19 lockdown, there were no direct systemic entity-level income support measures that could assist vulnerable and disadvantaged people outside employment. Nevertheless, health insurance was provided for all citizens during the crisis.** On 7 May, the Federation of Bosnia and Herzegovina temporarily expanded health insurance to all citizens until 30 days after the end of the state of disaster (Law on mitigation of negative economic consequences, Art. 15). Similarly, in Republika Srpska, on 8 May the Health Insurance Fund was mandated to provide insurance to citizens who were not already covered for the duration of the state of disaster/emergency (Decree-Law on Amendments to the Health Insurance Law). These measures were relatively short-lived as the state of disaster/emergency came to an end in the last week of May 2020.

**There were no entity-level measures to improve social assistance schemes or introduce additional transfers toward vulnerable groups during the crisis (or permanently).** On the contrary, in the Federation of Bosnia and Herzegovina the Government initially introduced a measure freezing pensions and social assistance benefits in 2020. In that sense, this law envisages that the annual adjustment of pension levels (including disability pensions), which is usually conducted by mid-April, together with other social benefits, will not happen in 2020, meaning that their amounts will remain at the 2019 levels. This measure was introduced by the Law on mitigation of negative economic consequences on 7 May 2020. The purpose of the measure was to ensure the stability of social transfers in 2020. Any potential deficits related to these social transfers will be covered by the budget savings achieved in other domains. In the second half of June 2020, however, the Government of the Federation of Bosnia and Herzegovina announced that pensions would be increased by 2.8 per cent for 2020, including retroactive increases for pensions paid in the first seven months of the year that will be paid in September 2020.

**Some cantons and municipalities started to introduce one-off financial support (usually BAM 50 or €25) for vulnerable population categories, mainly for retirees receiving the minimum pension and people older than 65 without any income.** There were also initiatives at the municipal level providing unemployed demobilized soldiers with one-off support.<sup>73</sup>

**In Republika Srpska, some categories of workers that have been especially exposed to risk or had to make additional efforts during the state of disaster were rewarded with one-off benefits.** Specifically, every worker employed in the public sector who worked for three weeks during the period from 15 March to 15 April 2020 received a one-off cash transfer (benefit) in the amount of BAM 1000 (€513).<sup>74</sup> An identical measure was adopted for police officers.<sup>75</sup> Although this measure has the character of a reward, it also improved the income of targeted employees and, at least theoretically, had a mild but positive effect on consumption.

**Somewhat surprisingly, significant policy changes or measures in the area of labour market policy have not been introduced so far.** Thus, levels of unemployment benefits and/or eligibility criteria have not been improved so far to more effectively respond to the ongoing crisis. Similarly, ALMMs have not been employed to mitigate the crisis in innovative ways or to a higher degree than normal.

## 5.2 Winners and losers in the current phase of the crisis

The ILO/EBRD Task Force has carried out a preliminary analysis of the policy response implemented in Bosnia and Herzegovina during the lockdown phase. The review focused on the measures aimed at supporting enterprises, jobs and incomes. It considers: (i) the intensity of the impact of the measures, and (ii) the differentiation and distributional impacts of the policy package.

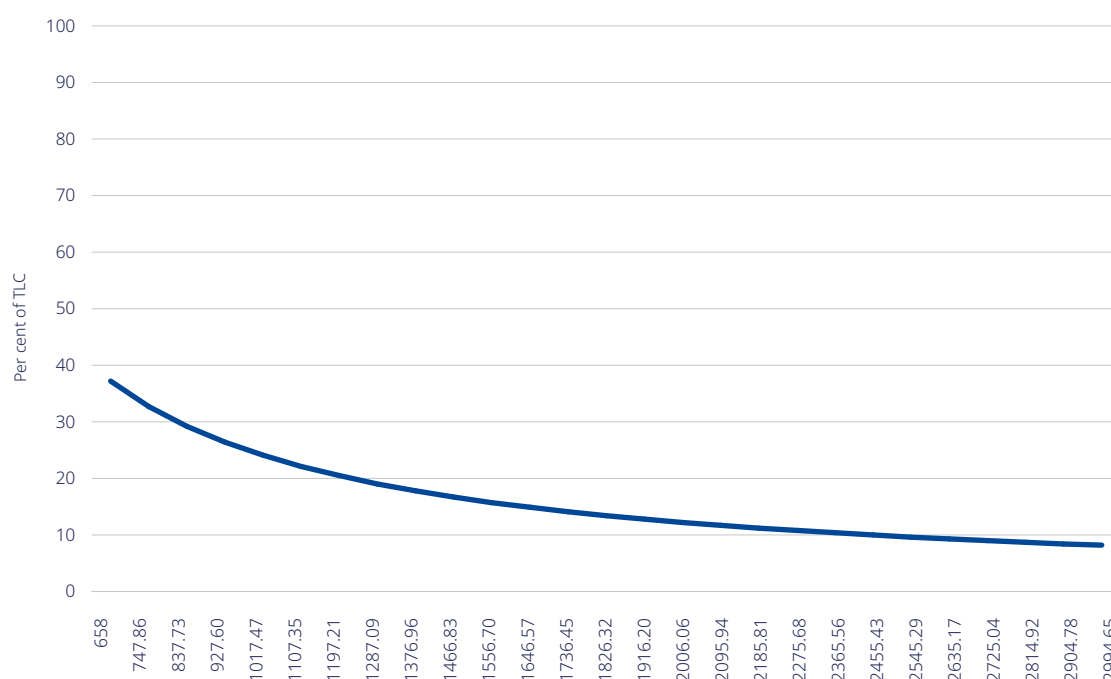
The intensity of employment retention measure along the wage distribution in the Federation of Bosnia and Herzegovina is presented graphically in Figure 5.2.

<sup>73</sup> For instance: Municipality of Novo Sarajevo: <https://novosarajevo.ba/wp-content/uploads/2020/06/pdf-ovi/Javni%20pozivi/14%20mjera/Pravilnici/Pravilnici%20BiZ/Javni%20poziv%20za%20dodjelu%20jedinokratne%20novčane%20pomoći%20demobilisanima%20borcima.pdf>

<sup>74</sup> Decree on one-off transfer to workers employed in the public health institutions: <https://www.paragraf.ba/propisi/republika-srpska/odluka-o-isplati-jednokratne-novčane-pomoci-zaposlenima-u-javnim-zdravstvenim-ustanovama.html>

<sup>75</sup> <https://lat.rtrs.tv/vijesti/vijest.php?id=381608&fbclid=IwAR28WacpVTysmsalVTQQtHWJyANYAZTxU4Fd8X6piV8Cf1snIvCVnr290>

**Figure 5.2. Generosity of the employment retention scheme for individual workers along the wage distribution in the Federation of Bosnia and Herzegovina (entity-level measures)**



Source: Authors' elaboration.

**The entity-level employment retention subsidy in the Federation of Bosnia and Herzegovina covers only 37.2 per cent of total labour costs for the minimum wage and subsidy intensity diminishes as the wage goes up (see Figure 5.2).** However, enterprises located in cantons that offer favourable net wage subsidies, if eligible to claim both subsidies, can cover 100 per cent of the total labour costs associated with the minimum wage. The intensity of subsidies – when both wage and contribution subsidies have been received in the Federation of Bosnia and Herzegovina – diminishes in a similar manner, given that cantonal wage subsidies are flat as well.

**While the intensity of entity-level support is relatively weak** (diminishing from around 37.2 per cent at the minimum wage level to around 7.0 per cent at the level of double the average wage, **it comes without any significant strings attached** for any businesses (outside the public sector, the financial sector and sole proprietors paying presumptive taxes) subject to a prohibition of operations or turnover losses higher than 20 per cent. Thus, its intended purpose appears to be to compensate businesses for the losses suffered. However, because the subsidy is flat for each employee, businesses with higher average wages get relatively less in terms of the share of the subsidy in total labour costs per employee than low-wage businesses. This progressive design of the subsidy reflects the general notion that micro and small firms employing low-wage and high-contact workers will face more hardship during the pandemic compared with large firms employing high-wage and low-contact workers. Canton-wide measures may add additional layers of protection. They also introduce explicit retention requirements while the measures last, but this does not change the progressive character of the subsidy.

Nevertheless, there is one significant exception to this “progressive” design of the subsidy. It is related to a strange and counterintuitive exclusion of sole entrepreneurs who pay lump sum taxes. They appear to be among the most vulnerable groups, and yet because they enjoy preferential treatment in “normal” times, they have been made ineligible for the subsidy support.

For ease of understanding, the two different and rather complicated alternate employment retention schemes in **Republika Srpska** are presented in **Figure 5.3**.

**Figure 5.3 Generosity of employment retention schemes for individual workers along the wage distribution in Republika Srpska**

In Republika Srpska, **assessing the intensity of employment retention measures is more complex because of the two different subsidy schemes applied on a very unusual rotating basis.** In March and May (Scheme 1), if a company was prohibited from operating no longer than until 11 May, the subsidy covers all contribution costs associated with a particular wage received by an employee. In that sense, the support is roughly proportional to the wage level. Given the slight progressivity of the tax wedge in Republika Srpska, its share in total labour costs actually increases along the x-axis, beginning from 33.1 per cent of total labour costs for the minimum wage, making the subsidy slightly regressive (see Figure 2). On the other hand, subsidies for April (Scheme 2, includes subsidies introduced for this month by the Decree on support for business entities and entrepreneurs, which are flat in terms of subsidy amount, that is, the minimum gross wage) and May, if the company was prohibited from operating after 11 May 2020, cover 100 per cent of total labour costs for the minimum wage, bearing in mind that both wage and contribution subsidies have been provided as flat support. Therefore, it naturally diminishes along the x-axis representing wage levels.

Thus, the two schemes in Republika Srpska represent a mixture of rarely seen proportional pure “compensation” subsidy (Scheme 1) and more common flat progressive subsidy (Scheme 2). While the effects of Scheme 2 are similar to the effects of the measure applied in the Federation of Bosnia and Herzegovina, Scheme 1 appears to provide stronger support for large firms employing on average high-wage and low-contact workers. Overall, on the assumption that a firm received the subsidy from March to end May, the overall impact of the employment retention schemes would be mildly progressive.

**Given the differences in the design of employment retention measures, as well as the limited availability of data, estimates on actual take-up and the total value of measures are presented separately for the two entities.** The entity-level employment retention measure in the Federation of Bosnia and Herzegovina provided support in the amount of BAM 89.8 million (0.39 per cent of the entity's GDP). The measure covered 164,279 workers in April, 142,044 in May and 86,276 in June 2020, meaning that coverage of the private-sector workforce – excluding those employed in the financial and insurance sector – varied from 45.4 per cent (April) to 23.8 per cent (June) (see Table 5.4 for a more detailed overview). In Republika Srpska, the total value of wage and contribution subsidies transferred to employers and employees is around BAM 66.8 million, that is, around 0.59 per cent of the entity's GDP (see Table 5.5). Employment retention measures in this entity ensured support for 64,206 workers in April and 18,174 in May, thus covering 41.8 per cent and 11.8 per cent of private-sector employees, respectively (excluding financial and insurance sectors). However, data for the two entities are not comparable, given that the cantons provided additional employment retention measures in the Federation of Bosnia and Herzegovina, which have not been included in this report because comprehensive and aggregated data on cantonal measures are not available.

**Table 5.4 Value and coverage of entity-level employment retention measures in the Federation of Bosnia and Herzegovina**

Month	Financial Support		Number of beneficiaries (enterprises)	Number of workers covered by the measure		
	BAM ('000)	% of entity's GDP (2019)		Total	As % of the total number of workers (entity level; same month in 2019)	As % of total private sectors workers (excluding financial and insurance sector) <sup>76</sup>
April 2020	38,069	0.16	23,872	164,279	30.9	45.4
May 2020	32,230	0.14	19,916	142,044	26.7	39.2
June 2020	19,499	0.08	14,324	86,267	16.2	23.8
<b>Total</b>	<b>89,798</b>	<b>0.39</b>	n/a*	n/a*	n/a	n/a

\* some of the beneficiaries have received support for more than one month; double-counting possible

Source: FBiH Tax Administration (2020) and FBiH Institute for Statistics' data on GDP and employment

<sup>76</sup> It can be roughly estimated that around 362,000 workers are employed in the private sector, excluding workers from the financial and insurance sector.

Table 5.5 Value and coverage of employment retention measures in Republika Srpska

Month	Financial support		Number of enterprises that received support	Number of workers covered by the measure		
	BAM ('000)	% of the entity's 2019 GDP		Total	As % of the total number of workers (entity level; same month in 2019)	As % of total private sectors workers (excluding financial and insurance sector) <sup>77</sup>
March 2020	12,366	0.11	11,420	n/a	n/a	n/a
April 2020**	31,038	0.42	11,300	43,134	23.6	41.8
April 2020***	15,877		3,429	21,072		
	For those whose business operations were prohibited until 11 May 2020: 4,628,062.74	0.07	5,184	14,356	6.7	11.8
	For those whose business operations were prohibited after 11 May 2020: 2,862,212.79		452	3,818		
<b>Total</b>	<b>66,771</b>	<b>0.59</b>	n/a*	n/a*	n/a	n/a

\* some of the beneficiaries have received support for more than one month; double-counting possible

\*\* Decree-Law on tax measures to mitigate the economic consequences of COVID-19 disease caused by SARS-COV-2 virus

\*\*\* Decree on support for business entities and entrepreneurs with the purpose of remedying consequences of the coronavirus pandemic for April 2020

Source: Republika Srpska Tax Administration (2020) and Republika Srpska Institute of Statistics' data on GDP and employment.

<sup>77</sup> It can be roughly estimated that around 153,735 workers are employed in the private sector, excluding workers from the financial and insurance sector.



**Table 5.6 Comparative table – subsidy share in total formal wage bill in other Western Balkan economies**

	Formal wage bill (month/million EUR)	Cost of the job retention package (est. month/million EUR)	Coverage of the private sector workforce (%)	Subsidy (%)	Subsidy (adjusted) (%)
<b>WB-6</b>	<b>tba</b>	<b>tba</b>	<b>tba</b>	<b>tba</b>	<b>tba</b>
Montenegro	162.3	16.3	45	13.8	n.a.
North Macedonia	385	33–44	35	8–12	4–6
Serbia	1050	317	85	30	15

Source: Authors' elaboration.

**Both entities applied a non-sectoral approach when designing employment retention measures, attempting to compensate all businesses directly affected by the crisis.** In that sense, there is no preferential treatment of specific sectors, despite the fact that some sectors have been hit disproportionately harder than others by the COVID-19 crisis and government decisions. Retention measures in both entities are based on the criteria of revenue loss and/or prohibition of operations and compensate those businesses most affected by the pandemic and/or government decisions. Neither of the entities has introduced any sort of explicit differentiation of measures or generosity of subsidies based on size of business, although in the Federation self-proprietors paying lump sum taxes are actually excluded from support. There are no observable rules that would create implicit differentiation either, given that no criterion related to the number of employees or the like has been stipulated.

**Neither entity has defined an obligation for employers to retain subsidised workers for a specific period of time after receiving support.** Given that support is claimed and provided retroactively (for the previous month or months), there is no risk of dismissing workers immediately after receiving support. Nevertheless, there is no obligation to retain workers in the period after subsidies are received. Furthermore, entity-level measures did not prescribe eligibility criteria related to having the same number of employees as in the period before the crisis. This criterion was introduced only by cantons in the Federation of Bosnia and Herzegovina.

**Measures adopted in the two entities of Bosnia and Herzegovina neglect atypical and informal workers.** None of these measures support freelancers who are not registered as legal entities and whose status in the entities' legislation is not (well) defined. In the Federation of Bosnia and Herzegovina, sole entrepreneurs paying income tax as a lump sum are excluded by the Corona law, despite the fact that their activities have been affected by the lockdown as well. There are no additional measures that would target this category of workers. Similarly, neither entity has introduced measures that would support informal workers in any way.

Besides the obvious losers (high-risk and poorly protected groups) in the lockdown phase, currently there are also less visible individuals and groups who will face increased difficulties making ends meet or pursuing a career path as the economy lingers in the post-lockdown pre-vaccine phase, which may last between one and two years from now. Probably the largest and most affected groups will be young people and women.

Young people are especially vulnerable during economic crises because they face multiple challenges: if employed, their jobs are typically protected only by weak, if any, employment contracts, while if they are unemployed, the number of decent jobs shrinks and competition increases, including from prime-age workers; if they are in education or training, they need to overcome disruption and to maintain their motivation for learning. As noted in Section 2, the school-to-work transition is difficult in Bosnia and Herzegovina, even during favourable economic times, and it will be much more difficult for students who have recently graduated from secondary schools and universities. Women account for around 67 per cent

of jobs in the health and care sector in Bosnia and Herzegovina, and are thus in the frontline of the crisis. They are also overrepresented in the sectors (see Section 4.1.2 above) that are highly impacted and highly vulnerable, and particularly in the informal service sectors and in some labour-intensive manufacturing sectors. **“New” poor and “new” vulnerable persons remain invisible to the system at the entity level.** A peculiar feature of the policy response in Bosnia and Herzegovina is that there have been no efforts to address the worsening economic position of such persons. While it may not be easy to identify these categories, other countries in the Western Balkans region have tried to support their incomes at least at the symbolic level.

### 5.3 Options for a more inclusive policy response

With the recovery phase not yet in sight, and likely the likely exacerbation of the health crisis during the winter months, keeping unemployment down in the private sector will probably be the most serious economic challenge during and immediately after the crisis. In order to protect and empower the diverse groups exposed to elevated labour market risks, existing safety nets need to be expanded and innovative income protection schemes and proactive labour market measures need to be rapidly conceived and introduced. According to the World Bank’s Fall 2020 Report, in Bosnia and Herzegovina, existing law and the established poverty-targeting system allow for expansion of the coverage of the Permanent Social Assistance programme.

The roles of the social partners and of the Social Council are critical during this phase, as trade-offs have to be negotiated on the basis of evidence, cost–benefit analysis of different options, and fairness. The ILO and the EBRD can support the Social Council to run cost-benefit analysis of alternative options.

As in other middle-income countries, fiscal space in Bosnia and Herzegovina is limited, but it would be important to push its limits to the maximum relatively quickly in the next few months. A deep recession might otherwise set in, making recovery more difficult and perhaps costlier. Social dialogue at all levels will play a crucial role during the reactivation phase in negotiating balanced sector-specific guidelines for a safe return to work and influencing the behaviour of both workers and enterprises.

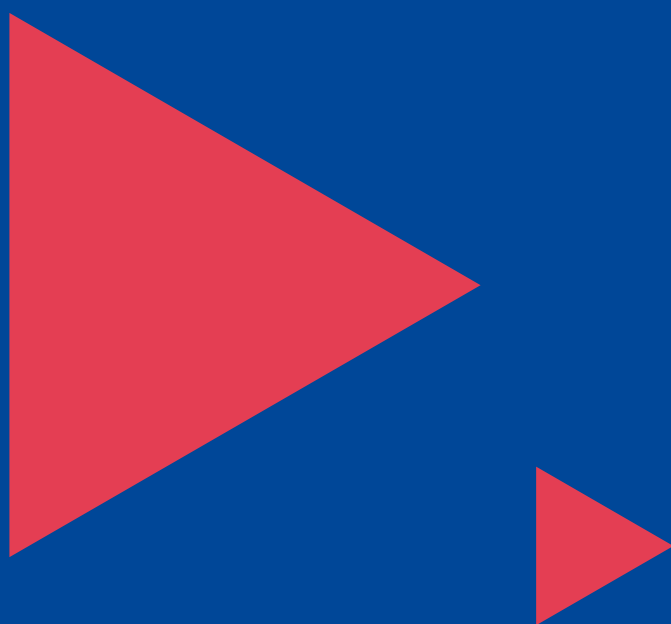
Options for enhancing the support provided by existing measures and schemes for jobs, enterprises and incomes include the following:

- ▶ **Reconsider some of the design features of employment retention schemes, if they are extended or reintroduced.** For instance, receipt of subsidies should be conditional on maintaining the workforce above a given threshold and for a period exceeding the duration of the subsidy. There is a risk that workers will be let go once payment has ceased. Establish an additional employment retention programme, lasting until September 2020, within the framework of which support is conditional on longer retention of workers by beneficiary enterprises. Among the options to be considered in the medium term to help enterprises maintain their workforce is a subsidy that waives the tax wedge (see Section 2 for a detailed explanation), with a cap on the level of tax paid on the minimum wage.
- ▶ **Build a new temporary safety net for the new poor and the new vulnerable.** Future policy measures need to articulate better responses to the emerging challenges facing at least the following population categories:
  - Atypical (non-standard), informal, seasonal or migrant workers who either lost their jobs or will not be able to earn (enough) money later in the season, or who will remain locked down in the country instead of going to work abroad (in countries such as Germany or Austria, as well as seasonal workers in Croatia).
  - Young people facing growing difficulties starting or completing the school-to-work transition, or enrolling in traineeship programmes. Young people are major victims of the social and economic consequences of the pandemic, and there is a risk that they will be scarred throughout their working lives, leading to the emergence of a “lockdown generation”. They are disproportionately affected by the COVID-19 crisis, with multiple shocks, including disruption to education and training, employment and income losses, and greater difficulties in finding a job (ILO Monitor, 4th edition). Unfortunately, young people in Bosnia and Herzegovina will probably be among

the most affected, because of both the expected deep economic recession and a pronounced labour market duality, within the framework of which young workers are generally employed in less secure, less well-paid and often high-contact secondary jobs that have been most affected by the crisis and might be the last to re-emerge from it.

- Long-term unemployed without unemployment benefits and with worsened household income situations.
- ▶ **Formulate comprehensive employment policies at entity level.** The Covid-19 crisis does not appear to have generated substantially new problems on the Bosnia and Herzegovina labour market. It has exacerbated existing ones and made them more acute and urgent. Overreliance on private consumption, decreasing labour force participation and outmigration, which characterize the country's development pathway, do very little to make the labour market less vulnerable to shocks, such as the health crisis, or to improve the quantity and quality of jobs for a full recovery. The entities need to devise a comprehensive employment policy, in line with international labour standards, looking at a set of comprehensive measures tackling both the supply and the demand side of the labour market, beyond ALMPs. Coordination of employment targets should take place at Bosnia and Herzegovina level.
- ▶ **Decouple health insurance from registration as unemployed.** Even though the measure was short-lived, the crisis has proved that it is possible. There is therefore room to introduce the long-awaited legislative amendments to the employment promotion and health insurance legislation to minimize the incentives for individuals to register as unemployed just to benefit from health insurance.
- ▶ **Improve interoperability of databases and information exchange among different levels of government and across institutions.** The crisis has proved that the efficient administration of multiple support schemes is needed to overcome delays. While the system has been put under stress during the Covid response, there would generally be value added for both citizens and businesses if there was better coordination of different support schemes (including existing and future ones). This would make it possible to maximize the outreach of allocated resources, reduce errors of inclusion, and support other initiatives, such as curbing informality
- ▶ **Consider the articulation of additional job retention schemes.** As the crisis continues and may even flare up, policymakers at all levels of government should consider and coordinate around additional options for job retention schemes, with a focus on better targeting, and impose job retention requirements beyond the duration of the subsidy (which would partially help to weed out from beneficiaries the so-called "zombie" enterprises, businesses kept artificially alive with no real benefit to workers). **Options related to a subsidy that waives the tax on labour, with a cap at the level of tax paid on the minimum wage,** should be given serious consideration to avoid negative employment outcomes in the coming months. Also, entities should consider reducing and harmonizing the cost of labour across entities.
- ▶ **Reconsider some of the design features of employment retention schemes, if they are reintroduced.** If additional support and compensation measures are considered in the future, some of the design features that were used in spring 2020 should be revised, based on some of the findings of this Assessment. For instance, receipt of subsidies should be conditional on maintaining the workforce above a given threshold and for a period exceeding the duration of the subsidy. Retention criteria should be set, however modest. Sole proprietorship should be protected regardless of any preferential tax regime that they may enjoy during non-crisis times. Furthermore, a rigid application of the binary eligibility criterion concerning the timeframe of references for revenue losses makes the owners and employees of young companies and start-ups more vulnerable to the crisis.





## ► Annexes

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**Annex 1 - Mapping the labour vulnerabilities of sectors**

Sector
Crop and animal production, hunting and related service activities
Retail trade, except motor vehicles and motorcycles
Public administration and defence; compulsory social security
Education
Construction of buildings
Human health activities
Land transport and transport via pipelines
Food and beverage service activities
Manufacture of fabricated metal products, except machinery and equipment
Manufacture of food products
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials
Wholesale trade, except motor vehicles and motorcycles
Specialised construction activities
Electricity, gas, steam and air conditioning supply
Other personal service activities
Wholesale and retail trade and repair of motor vehicles and motorcycles
Manufacture of furniture
Forestry and logging
Manufacture of leather and related products
Mining of coal and lignite
Civil engineering
Financial service activities, except insurance and pension funding
Manufacture of textiles
Manufacture of wearing apparel
Telecommunications
Legal and accounting activities
Security and investigation activities
Manufacture of rubber and plastic products
Waste collection, treatment and disposal activities; materials recovery
Repair and installation of machinery and equipment
Manufacture of other non-metallic mineral products
Manufacture of basic metals
Gambling and betting activities
Office administration, office support and other business support activities
Accommodation
Manufacture of motor vehicles, trailers and semi-trailers
Undifferentiated goods- and services-producing activities of private households for own use
Computer programming, consultancy and related activities
Services to buildings and landscape activities
Residential care activities
Sports activities and amusement and recreation activities

Bosnia and Herzegovina							
	Workers	Share in employment	Total vulnerability	Women	Gender-related vulnerability	Young people (15-29)	Age-related vulnerability (young people)
	132,108	16.6%	5	60,897	5	9,560	4
	71,385	9.0%	5	45,287	5	14,348	5
	47,305	6.0%	1	15,036	1	4,901	1
	41,471	5.2%	2	28,040	3	3,331	2
	35,432	4.5%	5	724	5	4,827	5
	33,715	4.2%	1	22,690	2	3,770	1
	29,967	3.8%	5	2,616	5	2,906	5
	27,982	3.5%	5	12,257	5	6,803	5
	21,571	2.7%	3	3,246	3	5,708	5
	20,479	2.6%	5	8,399	5	4,230	5
	19,708	2.5%	5	2,140	5	3,727	5
	18,097	2.3%	5	6,665	5	4,188	5
	18,028	2.3%	5	1,030	5	3,900	5
	17,527	2.2%	1	2,987	1	2,183	1
	16,489	2.1%	5	7,445	5	4,113	5
	11,468	1.4%	5	1,012	5	2,330	5
	11,435	1.4%	4	2,034	4	3,320	5
	11,064	1.4%	4	1,773	4	668	4
	10,990	1.4%	2	7,363	3	1,450	2
	10,709	1.3%	2	1,118	2	651	2
	9,428	1.2%	4	159	4	815	4
	8,918	1.1%	3	5,172	3	747	3
	8,682	1.1%	2	5,035	3	2,069	4
	8,385	1.1%	3	6,712	4	2,441	5
	8,323	1.0%	3	2,987	3	1,914	5
	6,960	0.9%	3	4,860	4	449	3
	6,596	0.8%	3	744	3	1,005	5
	5,713	0.7%	4	1,003	4	839	5
	5,534	0.7%	3	338	3	207	3
	5,466	0.7%	4	432	4	797	4
	5,401	0.7%	4	446	4	390	4
	5,347	0.7%	2	427	2	1,045	4
	4,993	0.6%	3	4,565	4	2,308	5
	4,841	0.6%	3	2,773	4	541	3
	4,836	0.6%	4	2,565	4	1,355	5
	4,524	0.6%	4	1,009	4	1,394	5
	4,464	0.6%	5	1,907	5	524	5
	4,112	0.5%	4	803	4	1,825	5
	4,085	0.5%	5	2,579	5	362	5
	3,952	0.5%	5	2,888	5	638	5
	3,632	0.5%	5	915	5	1,401	5



Manufacture of paper and paper products
Postal and courier activities
Water collection, treatment and supply
Warehousing and support activities for transportation
Manufacture of coke and refined petroleum products

Sector	
Crop and animal production, hunting and related service activities	
Retail trade, except motor vehicles and motorcycles	
Public administration and defence; compulsory social security	
Education	
Construction of buildings	
Human health activities	
Land transport and transport via pipelines	
Food and beverage service activities	
Manufacture of fabricated metal products, except machinery and equipment	
Manufacture of food products	
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
Wholesale trade, except motor vehicles and motorcycles	
Specialised construction activities	
Electricity, gas, steam and air conditioning supply	
Other personal service activities	
Wholesale and retail trade and repair of motor vehicles and motorcycles	
Manufacture of furniture	
Forestry and logging	
Manufacture of leather and related products	
Mining of coal and lignite	
Civil engineering	
Financial service activities, except insurance and pension funds	
Manufacture of textiles	
Manufacture of wearing apparel	
Telecommunications	
Legal and accounting activities	
Security and investigation activities	
Manufacture of rubber and plastic products	
Waste collection, treatment and disposal activities; materials recovery	
Repair and installation of machinery and equipment	
Manufacture of other non-metallic mineral products	
Manufacture of basic metals	
Gambling and betting activities	
Office administrative, office support and other business support activities	

	3,557	0.4%	2	728	2	390	2
	3,368	0.4%	3	1,301	3	467	3
	3,273	0.4%	2	428	2	-	2
	3,261	0.4%	4	597	4	834	5
	3,153	0.4%	1	428	1	-	1

Federation of Bosnia and Herzegovina							
	Workers	Share in employment	Total vulnerability	Women	Gendered total vulnerability	Young people (15-29)	Young people total vulnerability
	33,013	7.6%	4	14,767	5	2,833	4
	41,273	9.4%	5	28,496	5	8,137	4
	25,792	5.9%	1	7,807	1	3,160	1
	28,244	6.5%	3	18,875	4	2,018	3
	22,089	5.1%	5	427	5	2,963	5
	19,590	4.5%	2	12,547	3	1,918	2
	21,195	4.9%	5	2,205	5	1,541	5
	13,305	3.0%	5	5,922	5	2,952	5
	16,289	3.7%	3	2,783	3	3,638	5
	11,696	2.7%	5	5,078	5	2,086	5
	9,452	2.2%	5	855	5	945	5
	10,651	2.4%	4	4,460	5	2,564	5
	14,160	3.2%	5	636	5	2,683	5
	6,518	1.5%	1	1,440	1	259	1
	8,881	2.0%	5	4,133	5	2,205	5
	7,574	1.7%	4	686	4	1,541	5
	7,006	1.6%	3	1,063	3	2,137	5
	5,943	1.4%	4	934	4	388	4
	6,877	1.6%	2	4,352	3	776	2
	8,669	2.0%	1	427	1	388	1
	5,606	1.3%	4	129	4	815	5
	6,019	1.4%	2	3,476	2	467	2
	6,608	1.5%	2	3,914	3	1,411	4
	4,403	1.0%	4	2,912	5	1,372	5
	6,942	1.6%	2	2,543	3	1,440	4
	4,758	1.1%	3	3,437	4	169	3
	4,044	0.9%	3	596	3	725	5
	3,210	0.7%	4	855	4	298	4
	3,289	0.8%	2	338	2	-	2
	3,408	0.8%	5	169	5	517	5
	3,706	0.8%	5	298	5	259	5
	3,340	0.8%	1	129	1	388	1
	3,110	0.7%	4	2,941	5	1,243	5
	1,878	0.4%	2	1,192	3	129	2

Accommodation	
Manufacture of motor vehicles, trailers and semi-trailers	
Undifferentiated goods- and services-producing activities of private households for own use	
Computer programming, consultancy and related activities	
Services to buildings and landscape activities	
Residential care activities	
Sports activities and amusement and recreation activities	
Manufacture of paper and paper products	
Postal and courier activities	
Water collection, treatment and supply	
Warehousing and support activities for transportation	
Manufacture of coke and refined petroleum products	

Sector	
Crop and animal production, hunting and related service activities	
Retail trade, except motor vehicles and motorcycles	
Public administration and defence; compulsory social security	
Education	
Construction of buildings	
Human health activities	
Land transport and transport via pipelines	
Food and beverage service activities	
Manufacture of fabricated metal products, except machinery and equipment	
Manufacture of food products	
Manufacture of wood and of products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	
Wholesale trade, except motor vehicles and motorcycles	
Specialised construction activities	
Electricity, gas, steam and air conditioning supply	
Other personal service activities	
Wholesale and retail trade and repair of motor vehicles and motorcycles	
Manufacture of furniture	
Forestry and logging	
Manufacture of leather and related products	
Mining of coal and lignite	
Civil engineering	
Financial service activities, except insurance and pension funds	
Manufacture of textiles	
Manufacture of wearing apparel	

	3,110	0.7%	3	1,530	4	1,063	5
	2,485	0.6%	3	517	3	686	5
	2,564	0.6%	5	855	5	129	5
	3,088	0.7%	5	1,778	5	298	5
	2,503	0.6%	3	1,867	3	506	5
	2,672	0.6%	5	636	5	1,401	5
	2,683	0.6%	2	596	2	259	2
	2,474	0.6%	2	855	2	467	3
	1,878	0.4%	2	169	2	686	4

Republika Srpska							
	Workers	Share in employment	Total vulnerability	Women	Gendered total vulnerability	Young people (15-29)	Young people total vulnerability
	98,413	28.4%	5	46,073	5	6,727	4
	28,682	8.3%	5	16,112	5	5,873	5
	20,643	6.0%	1	6,898	2	1,712	1
	12,838	3.7%	2	8,840	2	1,284	2
	12,994	3.8%	5	297	5	1,777	5
	13,563	3.9%	1	9,777	1	1,695	1
	8,290	2.4%	4	411	4	1,365	5
	13,905	4.0%	5	6,138	5	3,556	5
	5,148	1.5%	2	428	2	2,006	4
	8,226	2.4%	5	3,159	5	2,040	5
	10,134	2.9%	5	1,251	5	2,747	5
	7,190	2.1%	4	2,205	5	1,595	5
	3,520	1.0%	4	395	4	1,217	5
	10,911	3.2%	1	1,547	1	1,925	2
	7,504	2.2%	5	3,242	5	1,908	5
	3,604	1.0%	4	297	4	691	5
	4,359	1.3%	3	971	3	1,184	5
	5,034	1.5%	2	839	2	280	2
	4,113	1.2%	3	3,011	4	674	3
	2,040	0.6%	2	691	3	263	2
	3,735	1.1%	5	-	5	-	5
	2,865	0.8%	3	1,695	3	280	3
	2,040	0.6%	3	1,086	3	658	5
	3,948	1.1%	4	3,800	5	1,069	5

Telecommunications	
Legal and accounting activities	
Security and investigation activities	
Manufacture of rubber and plastic products	
Waste collection, treatment and disposal activities; materials recovery	
Repair and installation of machinery and equipment	
Manufacture of other non-metallic mineral products	
Manufacture of basic metals	
Gambling and betting activities	
Office administrative, office support and other business support activities	
Accommodation	
Manufacture of motor vehicles, trailers and semi-trailers	
Undifferentiated goods- and services-producing activities of private households for own use	
Computer programming, consultancy and related activities	
Services to buildings and landscape activities	
Residential care activities	
Sports activities and amusement and recreation activities	
Manufacture of paper and paper products	
Postal and courier activities	
Water collection, treatment and supply	
Warehousing and support activities for transportation	
Manufacture of coke and refined petroleum products	

	1,317	0.4%	1	445	2	445	3
	1,877	0.5%	3	1,284	3	280	3
	2,518	0.7%	3	148	3	280	3
	2,205	0.6%	4	148	4	395	5
	1,925	0.6%	3	-	3	148	3
	2,023	0.6%	3	263	3	280	3
	1,695	0.5%	4	148	4	132	4
	1,973	0.6%	2	263	2	658	4
	1,662	0.5%	4	1,530	5	937	5
	2,963	0.9%	3	1,581	4	411	3
	1,662	0.5%	4	971	5	263	4
	1,975	0.6%	1	428	1	708	3
	1,841	0.5%	2	1,052	3	395	4
	2,503	0.7%	4	297	4	1,021	5
	1,449	0.4%	5	1,021	5	132	5
	1,827	0.5%	2	428	2	-	2
	1,284	0.4%	1	428	2	148	1
	1,860	0.5%	1	428	1	-	1

**Annex 2 - Impact of the crisis on enterprises**

Sector	
Crop and animal production hunting and related service activities	
Retail trade, except motor vehicles and motorcycles	
Public administration and defence; compulsory social security	
Education	
Construction of buildings	
Human health activities	
Land transport and transport via pipelines	
Food and beverage service activities	
Manufacture of fabricated metal products except machinery and equipment	
Manufacture of food products	
Manufacture of wood and of products of wood and cork except furniture; manufacture of articles of straw and plaiting materials	
Wholesale trade, except motor vehicles and motorcycles	
Specialised construction activities	
Electricity gas steam and air conditioning supply	
Other personal service activities	
Wholesale and retail trade and repair of motor vehicles and motorcycles	
Manufacture of furniture	
Forestry and logging	
Manufacture of leather and related products	
Mining of coal and lignite	
Civil engineering	
Financial service activities, except insurance and pension funds	
Manufacture of textiles	
Manufacture of wearing apparel	
Telecommunications	
Legal and accounting activities	
Security and investigation activities	
Manufacture of rubber and plastic products	
Waste collection treatment and disposal activities; materials recovery	
Repair and installation of machinery and equipment	
Manufacture of other non-metallic mineral products	
Manufacture of basic metals	
Gambling and betting activities	

Federation of Bosnia and Herzegovina								
	Number of workers	Entity-level share in total employment	Vulnerability	Impact	Employers	Own-account workers	Share of own-account workers in total entity employment	Share of employed in firms with up to 10 employees in total entity employment
	33,013	25.0%	4	5	23,328	2,367	7.2%	26.7%
	41,273	57.8%	5	4	2,356	3,437	8.3%	52.8%
	25,792	54.5%	1		-	-	0.0%	11.6%
	28,244	68.1%	3		557	596	2.1%	19.7%
	22,089	62.3%	5	3	1,788	1,451	6.6%	21.7%
	19,590	58.1%	2		338	467	2.4%	21.0%
	21,195	70.7%	5	4	2,305	1,580	7.5%	23.7%
	13,305	47.5%	5	3	129	2,305	17.3%	67.4%
	16,289	75.5%	3	4	725	517	3.2%	17.0%
	11,696	57.1%	5	4	776	1,799	15.4%	46.5%
	9,452	48.0%	5	4	-	259	2.7%	18.2%
	10,651	58.9%	4	4	338	-	0.0%	22.9%
	14,160	78.5%	5	3	1,063	1,311	9.3%	26.5%
	6,518	37.2%	1	2	-	-	0.0%	11.1%
	8,881	53.9%	5		3,110	973	11.0%	47.8%
	7,574	66.0%	4	4	1,501	1,074	14.2%	42.4%
	7,006	61.3%	3	4	-	298	4.3%	17.6%
	5,943	53.7%	4	5	298	-	0.0%	12.2%
	6,877	62.6%	2	4	-	338	4.9%	9.2%
	8,669	81.0%	1		-	-	0.0%	6.0%
	5,606	59.5%	4	3	129	-	0.0%	10.6%
	6,019	67.5%	2	1	-	169	2.8%	22.6%
	6,608	76.1%	2	4	-	-	0.0%	4.5%
	4,403	52.5%	4	4	596	169	3.8%	11.5%
	6,942	83.4%	2	2	-	-	0.0%	11.0%
	4,758	68.4%	3		427	844	17.7%	62.4%
	4,044	61.3%	3		-	-	0.0%	22.1%
	3,210	56.2%	4	4	-	298	9.3%	12.1%
	3,289	59.4%	2		129	129	3.9%	18.1%
	3,408	62.3%	5	4	557	844	24.8%	48.7%
	3,706	68.6%	5	4	-	129	3.5%	27.6%
	3,340	62.5%	1	4	-	-	0.0%	0.0%
	3,110	62.3%	4		-	-	0.0%	85.0%



Office administrative office support and other business support activities	
Office administrative office support and other business support activities	
Accommodation	
Manufacture of motor vehicles, trailers and semi-trailers	
Undifferentiated goods- and services-producing activities of private households for own use	

Sector	
Crop and animal production hunting and related service activities	
Retail trade, except motor vehicles and motorcycles	
Public administration and defence; compulsory social security	
Education	
Construction of buildings	
Human health activities	
Land transport and transport via pipelines	
Food and beverage service activities	
Manufacture of fabricated metal products except machinery and equipment	
Manufacture of food products	
Manufacture of wood and of products of wood and cork except furniture; manufacture of articles of straw and plaiting materials	
Wholesale trade, except motor vehicles and motorcycles	
Specialised construction activities	
Electricity gas steam and air conditioning supply	
Other personal service activities	
Wholesale and retail trade and repair of motor vehicles and motorcycles	
Manufacture of furniture	
Forestry and logging	
Manufacture of leather and related products	
Mining of coal and lignite	
Civil engineering	
Financial service activities except insurance and pension funds	
Manufacture of textiles	
Manufacture of wearing apparel	
Telecommunications	

	1,878	38.8%	2	4	169	467	24.9%	43.4%
	1,878	38.8%	2		169	467	24.9%	43.4%
	3,110	64.3%	3	3	-	-	0.0%	9.6%
	2,485	54.9%	3	4	-	298	12.0%	6.8%
	2,564	57.4%	5		1,023	517	20.2%	48.5%

Republika Srpska								
	Number of workers	Entity –level share in total employment	Vulnerability	Impact	Employers	Own-account workers	Share of own-account workers in total entity employment	Share of employed in firms with up to 10 employees in total entity employment
	98,413	74.5%	5	4	72,924	3,436	3.5%	23.4%
	28,682	40.2%	5	4	1,119	3,439	12.0%	52.6%
	20,643	43.6%	1		-	297	1.4%	11.0%
	12,838	31.0%	2	2	-	148	1.2%	12.2%
	12,994	36.7%	5	3	-	132	1.0%	44.3%
	13,563	40.2%	1		-	691	5.1%	14.6%
	8,290	27.7%	4	4	1,365	428	5.2%	21.8%
	13,905	49.7%	5	5	-	2,994	21.5%	70.1%
	5,148	23.9%	2	5	148	-	0.0%	0.0%
	8,226	40.2%	5	5	-	428	5.2%	26.8%
	10,134	51.4%	5	5	674	971	9.6%	32.6%
	7,190	39.7%	4	4	132	593	8.2%	27.2%
	3,520	19.5%	4	3	526	263	7.5%	43.0%
	10,911	62.3%	1	4	-	132	1.2%	11.6%
	7,504	45.5%	5		1,564	1,267	16.9%	62.5%
	3,604	31.4%	4	4	823	839	23.3%	50.2%
	4,359	38.1%	3	5	148	148	3.4%	13.2%
	5,034	45.5%	2	4	395	-	0.0%	19.3%
	4,113	37.4%	3	5	132	-	0.0%	0.0%
	2,040	19.0%	2	2	-	-	0.0%	0.0%
	3,735	39.6%	5	3	132	297	7.9%	30.4%
	2,865	32.1%	3	1	-	148	5.2%	50.0%
	2,040	23.5%	3	5	-	297	14.5%	21.0%
	3,948	47.1%	4	5	132	148	3.8%	10.0%
	1,317	15.8%	1	1	-	593	45.0%	0.0%

Legal and accounting activities	
Security and investigation activities	
Manufacture of rubber and plastic products	
Waste collection treatment and disposal activities; materials recovery	
Repair and installation of machinery and equipment	
Manufacture of other non-metallic mineral products	
Manufacture of basic metals	
Gambling and betting activities	
Office administrative, office support and other business support activities	
Office administrative office support and other business support activities	
Accommodation	
Manufacture of motor vehicles, trailers and semi-trailers	
Undifferentiated goods- and services-producing activities of private households for own use	

	1,877	27.0%	3		-	445	23.7%	68.4%
	2,518	38.2%	3		-	-	0.0%	22.2%
	2,205	38.6%	4	5	-	148	6.7%	31.3%
	1,925	34.8%	3	2	148	-	0.0%	6.8%
	2,023	37.0%	3	5	132	-	0.0%	21.2%
	1,695	31.4%	4	5	-	280	16.5%	33.0%
	1,973	36.9%	2	5	-	-	0.0%	13.3%
	1,662	33.3%	4		-	-	0.0%	42.6%
	2,963	61.2%	3		148	132	4.4%	27.8%
	2,963	61.2%	3		148	132	4.4%	27.8%
	1,662	34.4%	4	5	-	132	7.9%	40.6%
	1,975	43.7%	1	5	-	-	0.0%	0.0%
	1,841	41.2%	2		1,052	921	50.0%	28.6%

**Annex 3 Covid-19: containment, closure and health measures adopted<sup>78</sup>****COVID-19 containment measures adopted****Measures to contain movement**

- ▶ In Bosnia and Herzegovina, state of natural disaster since 18 March.<sup>79</sup>
  - In Federation of Bosnia and Herzegovina, state of natural disaster from 18 March until 29 May.<sup>80</sup>
  - In Republika Srpska, state of emergency from 28 March until 21 May.<sup>81</sup>

**School and workplace closures**

- ▶ Schools and kindergartens closed since mid-March.<sup>82</sup>
  - 11 May: In Republika Srpska, kindergartens re-opened.
  - 15 May: In Federation of Bosnia and Herzegovina, kindergartens re-opened.

*Republika Srpska (RS)*

- ▶ All services closed, except pharmacies and markets.
  - 27 April: re-opening of smaller shops.
  - 11 May: re-opening of private dental clinics, hairdressers, restaurants and cafes.

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Restaurants closed and only allowed to offer takeaway or delivery service since 18 March.
  - 14 May: re-opening of restaurants and cafes.

**Restrictions on events and gatherings***Republika Srpska (RS)*

- ▶ Restrictions on all public gatherings (including sports) until 30 May (since state of emergency).<sup>83</sup>
- ▶ Public transport not running from mid-March.
  - 11 May: public transport running again.

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Restrictions on all group gatherings from 18 March.
- ▶ Restrictions on all recreational activities from mid-March.<sup>84</sup>
  - 15 May: sports facilities open again.

**Restrictions on movement within the country**

- ▶ A curfew in place from 18 March.
  - 15 May: In FBiH, all restrictions on movement lifted.
  - 22 May: In RS, all restrictions on movement lifted.

*Republika Srpska (RS)*

- ▶ Movement restrictions for people aged 65 or above.
  - 20 May: all restrictions on movement were lifted.

<sup>78</sup> Unless otherwise noted, all information provided in the table comes from the "Situation reports" prepared by the United Nations in Bosnia and Herzegovina on various dates between 18 March and 26 May 2020.

<sup>79</sup> <http://www.sluzbenilist.ba/page/akt/bTsBUE4N5GM=> (accessed 28 May 2020).

<sup>80</sup> <https://www.paragraf.ba/propisi/fbih/odluka-o-proglasenju-stanja-nesrece-uzrokovano-pojavom-koronavirusa-covid-19-na-podrucju-federacije-bih.html> (accessed 28 May 2020).

<sup>81</sup> <https://www.paragraf.ba/propisi/republika-srpska/odluka-o-proglasenju-vanrednog-stanja-za-teritoriju-republike-srpske.html> (accessed 28 May 2020).

<sup>82</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8400](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8400) (accessed 26 May 2020).

<sup>83</sup> <https://mup.vladars.net/lat/index.php?vijest=22983&vrsta=novosti> (accessed 28 May 2020).

<sup>84</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8400](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8400) (accessed 26 May 2020).

### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Movement restrictions for certain age groups from end of March.
  - From beginning of April:
    - People aged 65 or over allowed to leave their homes between 08.00 and 12.00 hrs.
    - Minors allowed to move in cars only (accompanied by parents).
  - 24 April: easing of movement restrictions for abovementioned age groups.
  - 15 May: all restrictions on movement lifted.
- ▶ 14 May: Public transport running again.

### **Restrictions on international travel**

- ▶ Borders closed from 24 March.
- ▶ Air traffic stalled from 30 March<sup>85</sup> until 1 June.

### *Republika Srpska*

- ▶ Mandatory 14-day quarantine when coming from abroad.
  - Since mid-April, people have been asked to self-isolate (lifted on 20 May).

### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Mandatory 14-day quarantine when coming from abroad.
  - Since mid-April, people have been asked to self-isolate (lifted on 20 May).

### **Measures to support health sector**

#### Public information

- ▶ Coordination Body directed by Ministry of Security formed to fight the spread of COVID-19.

### *Republika Srpska (RS)*

- ▶ Commission established by Ministry of Health to monitor procedures in hospitals at beginning of May.
- ▶ Military barracks made available for people with potential COVID-19 infections to quarantine in.<sup>86</sup>
- ▶ Specialized Protection and Rescue Unit for disinfection established.<sup>87</sup>

### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Homepage to inform citizens about COVID-19: [www.covid-19.ba](http://www.covid-19.ba) since end of March.<sup>88</sup>
- ▶ Crisis team set up for the economy at end of March.

<sup>85</sup> <https://www.paragraf.ba/propisi/bih/odluka-o-privremenom-zatvaranju-mecunarodnih-granicnih-prelaza-u-vazdusnom-saobracaju-za-promet-putnika-u-bosni-i-hercegovini.html> (accessed 29 May 2020).

<sup>86</sup> <https://www.paragraf.ba/propisi/republika-srpska/zakljucak-o-potrebi-obezbjedjenja-slobodnih-smjestajnih-kapaciteta-u-kasarnama.html> (accessed 29 May 2020).

<sup>87</sup> <https://www.paragraf.ba/propisi/republika-srpska/odluka-o-osnivanju-specijalizovane-jedinice-zastite-i-spasavanja-za-dezinfekciju.html> (accessed 29 May 2020).

<sup>88</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8468](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8468) (accessed 25 May 2020).

**Testing policy**

- ▶ By mid-May: over 50.000 tests had been conducted.

*Republika Srpska (RS)*

- ▶ Randomized testing since beginning of April.
- ▶ Kindergarten and preschool teachers tested since beginning of May (as schools and kindergartens re-opened).
- ▶ Increased testing of medical health care workers since beginning of May.
- ▶ Free testing of students and workers who return from abroad since mid-May.

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Capacity to perform ~400 tests daily since mid-April.
- ▶ Regular randomized testing of migrants.

**Emergency investment in health care**

- ▶ Setting up of quarantine tents.
- ▶ Designated quarantine places within the country.
- ▶ 1.8 million items of Personal Protective Equipment (PPE) and ECG machines has been procured.

*Republika Srpska (RS)*

- ▶ Mobile hospital put in place.

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Law on Public Procurement passed to facilitate rapid access to necessary medical equipment in mid-March.<sup>89</sup>
- ▶ Sanitary inspectors appointed to ensure correct execution of sanitary rules.<sup>90</sup>
- ▶ BAM 30 million (~US\$ 16,648,169) allocated to support health sector since 18 March.
- ▶ 80 respirators were purchased.<sup>91</sup>

**Support from abroad**

- ▶ Joint procurement agreement with EU for medical equipment.
- ▶ Redirection of IPA Funds to COVID-19 response.
- ▶ 16 April: decision to distribute international aid to cantons in relation to population size.
- ▶ EUR 33 million (~ US\$ 35 million) from IBRD for economic reconstruction.
- ▶ Medical equipment procurement and other support from UN agencies.
- ▶ Several governments provided equipment.

89 [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8417](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8417) (accessed 26 May 2020).

90 [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8417](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8417) (accessed 26 May 2020).

91 [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8560](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8560) (accessed 26 May 2020).

## Annex 4 Policy packages already adopted

As of 30 June 2020, the following sets of policy measures had been adopted in Bosnia and Herzegovina.<sup>92</sup> Economic support packages to stimulate the economy

### Economic support packages to stimulate the economy

#### Fiscal policies

- ▶ Exemption from indirect taxes on donated equipment and resources to prevent and suppress COVID-19.
- ▶ EUR 10 million (~US\$ 10.6 million) of budget redirected to be used for COVID-19 and migration.<sup>93</sup>

#### *Republika Srpska (RS)*

- ▶ New Solidarity Fund to mitigate negative economic impacts of pandemic.<sup>94</sup>
- ▶ Deadline to file 2019 taxes extended to 30 April 2020 (instead of 31 March 2020).
- ▶ Extension of deadline for submission of annual tax returns and settlement of tax liabilities.<sup>95</sup>
- ▶ Delayed payment of liabilities possible.
- ▶ Three-month repayment moratorium with extension of repayment period by three months.
- ▶ Two funds for economic relief measures:
  - guarantee-credit fund to support working capital and liquidity of SMEs;<sup>96</sup>
  - Compensation Fund for SMEs whose activity stopped due to emergency measures (to pay taxes, contributions and minimum wages and support PES to pay unemployment benefits);<sup>97</sup>
  - a third fund for assisting local self-governing units to help public-utility companies was announced.<sup>98</sup>

#### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Statute of limitations discontinued until 30 days after end of state of emergency.
- ▶ Advance payment of corporate tax for subsidised businesses, and income tax on subsidised independent activity are abolished for 2020.
- ▶ BAM 5.5 million (~US\$ 3 million) funds redirected for economic recovery response.<sup>99</sup>
- ▶ Measures to mitigate the negative economic effects agreed at the beginning of May.<sup>100</sup>
- ▶ End of March: rent of government-owned premises reduced by 50 per cent.<sup>101</sup>
- ▶ Law on price ceiling for necessary goods based on price level of 5 March 2020.<sup>102</sup>
  - Sanctioning of unfair price setting of medical equipment.<sup>103</sup>

#### Monetary policies

#### *Republika Srpska (RS)*

- ▶ Interim measures to help micro-credit organizations:
  - granting relief to clients;
  - special rules for credit risk management

<sup>92</sup> Unless otherwise noted, the information provided in the following four boxes is from: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#BA> (accessed 2 June 2020).

<sup>93</sup> <https://www.vladars.net/eng/vlada/ic/ns/Pages/Press-release-following-the-69th-Government-session--.aspx> (accessed 25 May 2020).

<sup>94</sup> <https://www.vladars.net/sr-SP-Cyrl/Documents/Uredba%20sa%20zakonskom%20snagom%20o%20fondu%20solidarnosti%20RS.pdf> (accessed 3 June 2020).

<sup>95</sup> <https://www.vladars.net/sr-SP-Cyrl/Documents/Uredba%20sa%20zak%20snag%20o%20izm%20i%20dop%20uredbe%20sa%20zak%20snag%20o%20poreskim%20mjerama%20za%20ublaz%20ekon%20posl%20nas%20usljed%20bol%20COVID-19.pdf>, accessed on 03 June 2020).

<sup>96</sup> <https://www.vladars.net/sr-SP-Cyrl/Documents/Uredba%20sa%20zak%20snag%20o%20dopunama%20zakona%20o%20garant%20fondu%20RS.pdf> (accessed 3 June 2020).

<sup>97</sup> <https://www.vladars.net/sr-SP-Cyrl/Documents/Uredba%20sa%20zak%20snag%20o%20kompenz%20fondu%20RS.pdf> (accessed 3 June 2020).

<sup>98</sup> [https://www.novosti.rs/vesti/naslovna/republika\\_srpska/aktuelno.655.html:860593-Tri-fonda-za-pomoc-privredi-u-Srpskoj-od-27-aprila-ukidanje-nekih-zabrana-rada-Odluke-Glavnog-koordinacionog-tima-RS](https://www.novosti.rs/vesti/naslovna/republika_srpska/aktuelno.655.html:860593-Tri-fonda-za-pomoc-privredi-u-Srpskoj-od-27-aprila-ukidanje-nekih-zabrana-rada-Odluke-Glavnog-koordinacionog-tima-RS) (accessed 4 June 2020).

<sup>99</sup> UN BiH Situation Report #10, published 17 April 2020.

<sup>100</sup> UN BiH Situation Report #14, published 5 May 2020.

<sup>101</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8466](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8466) (accessed 25 May 2020).

<sup>102</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8421](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8421) (accessed 26 May 2020).

<sup>103</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8398](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8398) (accessed 26 May 2020).



- ▶ Interim measures granting relief to banks:<sup>104</sup>
  - granting relief to clients;
  - special rules for credit risk management;
  - preventive measures to preserve banks' capital.

#### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Default interest on public revenues not calculated or paid during the state of emergency, and 60 days after its termination.
- ▶ Interim measures to help micro-credit organizations:
  - granting relief to clients;
  - special rules (such as moratorium or grace period) for credit risk management.
- ▶ Interim measures granting relief to banks:<sup>105</sup>
  - granting relief to clients;
  - special rules for credit risk management;
  - preventive measures to preserve banks' capital. Support for specific sectors, enterprises and employment retention

### **Support for specific sectors, enterprises and employment retention**

#### **Support for specific sectors**

##### *Republika Srpska (RS)*

- ▶ One-off payment of US\$ 560 to employees in health sector who worked min. three weeks from 15 March to 15 April.
- ▶ Deferral of payment of concession fee and rent of agricultural land of up to three months.<sup>106</sup>

##### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ BAM 15 million (~US\$ 8.3 million) funds repurposed to sustain food production.<sup>107</sup>

#### **Support for enterprises and business continuity**

##### *Republika Srpska (RS)*

- ▶ Temporary deferral of payment of tax liabilities for economic entities negatively impacted by COVID-19.
- ▶ Flat-rate income taxes of enterprises with max. two employees reduced by 60 per cent.
- ▶ Payment of min. wage/social contributions to entrepreneurs and holders of individual activities who could not continue working due to COVID-19.<sup>108</sup>
  - At the beginning of June, assistance was announced also for businesses negatively impacted by COVID-19 but still able to operate. — Instead of the original 40,000 workers, this will benefit 70,000 workers.<sup>109</sup>

##### *Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Businesses can apply for social security contributions on paid wages and wage subsidies for April 2020.<sup>110</sup>
- ▶ Subsidies provided to businesses that had a drop in turnover of >20 per cent.<sup>111</sup>

<sup>104</sup> This information was retrieved from the RS OG 27/2020.

<sup>105</sup> This information was retrieved from the FBiH OG 22/2020.

<sup>106</sup> <https://www.paragraf.ba/propisi/republika-srpska/zakljucak-o-odlaganju-placanja-koncesione-naknade-i-zakupnine-za-koriscenje-poljoprivrednog-zemljista-u-svojini-republike-srpske.html> (accessed 2 June 2020).

<sup>107</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8479](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8479) (accessed 25 May 2020).

<sup>108</sup> <https://www.vladars.net/sr-SP-Cyrl/Documents/Uredba%20sa%20zak%20snag%20o%20por%20mjer%20za%20ublaz%20ekonom%20posljed%20nastalih%20usljed%20bol%20COVID-19%20izazvane%20virusom%20SARS-CoV2.pdf> (accessed 3 June 2020).

<sup>109</sup> <https://vijesti.ba/clanak/494691/viskovic-usvajamo-uredbu-za-prosirenje-pomoci-privredi> (accessed 4 June 2020).

<sup>110</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8574](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8574) (accessed 25 May 2020).

<sup>111</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8513](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8513) (accessed 26 May 2020).

- ▶ BAM 80 million (~US\$ 44.4 million) to help SMEs through the Guarantee Fund.<sup>112</sup>

## Employment retention measures

*Republika Srpska (RS)*

- ▶ Min. wage/ social contributions to all employees who are prohibited from working as a result of COVID-19.<sup>113</sup>

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Monthly financial support of US\$ 135,5 per employee to cover wages, if turnover of business has decreased by >20%.

## Workers protection measures

### Unemployment benefits and social protection

*Republika Srpska (RS)*

- ▶ Decree to facilitate access to personal disability allowance for children up to 18 years of age.<sup>114</sup>

### Access to paid leave

*Republika Srpska (RS)*

- ▶ Employment status for:
  - workers in isolation due to COVID-19;
  - workers who temporarily lost their job due to COVID-19;
  - parents who have to take sick leave due to closing of kindergartens/school closure.

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ Recommendation by Federal Employment Agency to grant access to paid leave for parents with children.<sup>115</sup>

## Other measures

### Social dialogue

*Federation of Bosnia and Herzegovina (FBiH)*

- ▶ On 19 March, the FBiH Economic and Social Council (ESC) supported measures proposed by the Government to ameliorate the negative impacts of COVID-19.
- ▶ The Government of FBiH asked the Economic and Social Council to provide an opinion on the draft Law on Amendments to the Labour Law.<sup>116</sup>

<sup>112</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8495](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8495) (accessed 26 May 2020).

<sup>113</sup> <https://www.vladars.net/sr-SP-Cyrl/Documents/Uredba%20sa%20zak%20snag%20o%20por%20mjer%20za%20ublaz%20ekonom%20posljed%20nastalih%20usljed%20bol%20COVID-19%20izazvane%20virusom%20SARS-CoV2.pdf> (accessed 3 June 2020).

<sup>114</sup> <https://www.vladars.net/eng/vlada/ic/ns/Pages/Press-release-following-the-69th-Government-session-.aspx> (accessed 25 May 2020).

<sup>115</sup> [http://fbihvlada.gov.ba/bosanski/aktuelno\\_v2.php?akt\\_id=8534](http://fbihvlada.gov.ba/bosanski/aktuelno_v2.php?akt_id=8534) (accessed 26 May 2020).

<sup>116</sup> [http://fbihvlada.gov.ba/hrvatski/sjednica\\_v2.php?sjed\\_id=860&col=sjed\\_saopcenje](http://fbihvlada.gov.ba/hrvatski/sjednica_v2.php?sjed_id=860&col=sjed_saopcenje) (accessed 3 June 2020).

## About this report

The report “Covid-19 and the World of Work: Assessment of Employment Impacts and Policy Responses” is one of a series of reports that the ILO and the EBRD are preparing to contribute to evidence-based policy dialogues in the Western Balkan economies in the aftermath of the Covid-19 pandemic.

This first report on Bosnia and Herzegovina covers the unfolding of the crisis and its impacts on the labour market during the lockdown phase, as well as reflections on the measures proposed by the Government to attenuate the impact of the crisis. Policy recommendations can inform decisions taken by the Government and the social partners during the reactivation and recovery phases.

For more comprehensive thematic reviews of the impacts of Covid-19 on the world of work, please consult the relevant pages, available at:

[www.ilo.org](http://www.ilo.org) and [www.ebrd.com](http://www.ebrd.com)

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