

Annex A

Definitions

Informal Sector	The informal sector consists of those employed without accruing employment rights because they do not pay taxes and social insurance contributions
Labour Force	The total number of people who are economically active, consisting of all those who have worked in the last week and the unemployed
Labour Force Participation Rate	The no of people in a particular group that is economically active expressed as a percentage of the total number of people in that group
Unemployed	An individual is unemployed if he/she has done no work in the last week, is looking for work and is able to accept work of it is offered
Unemployment Rate	The number of unemployed expressed as a percentage of the labour force

Annex B

References

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Annex C

Methodological Note and the Questionnaires used in the Qualitative Study

Introduction

This Study is based upon a wide range of secondary sources, as set out in Annex B. These, together with the preliminary LSMS data (Annex H) were used to set a context.

This Study is also based on specially executed:

- entity overviews of employment and unemployment, commissioned as background; and
- labour market surveys.

Discussions were held with the DUGs (Annex I), to establish the soundness of the:

- focus of the Study;
- soundness of the selection of the selected communities;
- approaches to individuals, employers and labour market clearing organisations
- the details of the questionnaires.

The labour market surveys were conducted in three case study areas - Travnik and Zenica (FBiH), and Trebinje (RS). In each area, these surveys were based on:

- a long (110 question) questionnaire on labour market behaviour administered to 300 individuals (the individuals' questionnaire);
- a questionnaire on business prospects and recruitment administered to approximately 50 employers (the employers' questionnaire); and
- a questionnaire on the effectiveness of market-clearing mechanisms administered to approximately 20 key stakeholders such as Employment Bureaux (EB), employers organisations, trades unions and NGOs (the market-clearing questionnaire).

The Individuals Questionnaire

Selection of Respondents

For *Travnik and Trebinje* the selection of houses was made using MZ (local communities) lists.

The municipal lists were used to select respondents through direct contact using a random household selection method, i.e. selection of residence units and to interview the person that, following an introduction into the aims of the survey, would be willing to cooperate.

On this basis, interviewing plans and concrete responsibilities for each interviewer were made and submitted to IBHI in April before interviewing began. The plan included all of the cities' blocks and larger settlements in the rural and village MZs.

The interviewers in the city areas also received the apartment numbers that they needed to visit, and in the semi-rural and rural areas the names of the street or settlement. The interviewers themselves selected the apartment, i.e. the house in which they were to carry out the interview.

In *Trebinje*, the MZ lists do not exist, since the MZs are being reorganised and the territorial division of the municipality into MZs is still unclear. Therefore, population lists were formed from the telephone directory (for telephone codes 059 = Trebinje). It was checked that the lists followed residential addresses, which every interviewer did for his/her region.

The telephone directory was used, as voting records from the municipality were not available (it is possible to check whether a name is on the voting list, but it is not possible to copy this list or for it to be removed).

In rural areas that do not have telephones the interviewer worked on the principle of visiting very third house, depending on the size of the village.

Individual Sample Units – Selection of Respondent within the Household

The basic sample unit was the individual within the household. He or she that had the rights over the telephone number, i.e. the name of the head of the household.

Following the interviewer's introduction and an explanation of the work and requirements, the person was asked whether they would like to cooperate. Since, in most cases the person met was the head of the household, they were usually the ones to answer the questions. Exceptions were those cases where the interviewer knew some of the household members personally.

It happened that in individual apartments/houses there would be more members that were aged 15 and above. In those cases the interviewer selected one person that was willing to cooperate.

Dealing with Refusals

If the randomly selected respondent could not be contacted or refused to answer, the following procedures were adopted.

An attempt to convince the person was made through a short explanation of the survey aims and showing the letter of support. In those cases where this did not succeed (and these were very few) the interviewer would move on to the next person on the list, regardless of whether they were planned for an interview or not (i.e. first neighbour, etc.), following which the interviewer would move on to the next person on the planned interviewing list.

If the randomly selected respondent refused to cooperate, the interviewer would move on to another apartment - house. Since the interviewers were not resident in the areas they interviewed in, the criteria for random selection were ensured.

Response rates were high overall - there were around 10 cases in Zenica in which household members refused to answer.

Preparatory Activities

- Selection of interviewers. Total of 36 interviewers were used in all Municipalities (Trebinje-10; Zenica – 16 and Travnik – 10). They were selected from amongst the unemployed.
- Meetings with the interviewers were held that assessed the scope of work and possible difficulties on the basis of unofficial information.
- Discussions with interviewers were held on the design of the questionnaire. Suggestions were incorporated into the final questionnaire.
- contracts were prepared for the interviewers and the survey regions were selected for them.
- the general interviewing plans were submitted to IBHI and cleared.

Training of Interviewers

- A briefing session was held on the Questionnaire and Guidelines, the rights and responsibilities of the interviewers, methods of communication and progress of activities, and a second session was held to clarify possible difficulties.

Interviewing Period

- Interviewing was carried out between 20 April and 9 May.
- Post enumeration meetings were held which all interviewers attended. The interviewers stated that they were satisfied with the progress of activities and that the individuals were accepting the survey. Some respondents stated that they were interviewed often by various actors (producers of goods, media, political parties, etc.)

At the meeting it was assessed that the interviewing dynamics were satisfactory and that the work would be completed within the planned period.

It was assessed that there would be difficulties in interviewing employers because of the announcement of the possibility of merging the public holidays).

Annex D

The Local Economies of Travnik, Trebinje and Zenica

Note 1 – This annex contains what official statistics are available; however the reliability of these is dubious (see text)

Note 2 – Where anecdotal evidence is quoted it is based on the views of at least 3 apparently unconnected sources.

Background

Travnik is situated in the narrow valley of the River Lasva bordered by the Vlasic mountain to the North and the Vilenica mountain to the South. It is the administrative and political centre of the Central Bosnia canton. Its location, on the main East-West route through Bosnia, has contributed greatly to its history and growth. Once known as “European Istanbul” it has retained many traces of its medieval past.

The Municipality of Travnik covers an area of 563 sq.km. and includes 22 villages as well as the City itself. It suffered considerable damage during the recent war although quite a few religious buildings and monuments have been reconstructed. It has a multi-ethnic, multi religious community with about 3,000 people displaced by the war having temporary residence. It is reported that 15,000 former Travnik residents are living elsewhere but wanting to return.

Population and Industrial Structure

Table 1 shows the population and ethnic composition of Travnik

Table 1- Population of Travnik:

	1991	2000
Total population	70,747	50,697
Serbs	7,777 (11%)	469 (0.5%)
Bosniaks	31,813 (45%)	46,106 (91%)
Croats	26,118 (37%)	3,842 (8%)
Others	5,039 (7%)	260 (0.5%)

(Sources: 1991 Census/Municipality of Travnik and 2000 Statistics Institute of FBiH, "The Central Bosnia Canton in Numbers", Sarajevo, July 2001.)

Table 2 – Employees in Travnik by industrial sector (trades not included): March 2002

	Total	Sector of ownership			
		State	Private	Cooperative	Mixed
All sectors	8,677				
Agriculture, Hunting & Forestry	357				
Fishing	-				
Mining & Quarrying	274				
Manufacturing	3,819				
Electricity, Gas & Water Supply	283				
Construction	318				
Wholesale & Retail Trade, Repair of Motor Vehicles, personal & Household Goods	525				N/A

Hotels & Restaurants	132	
Transport, Storage & Communication	346	
Financial Institutions	216	
Real Estate, Renting & Business Activities	96	
Public Administration, Defence, Social Security	702	N/A
Education	624	
Health & Social Work	936	
Other Community, Social & Personal Services	49	

(Source: Statistics Institute for FBiH (SIFBiH))

Table 3 – Employees in Travnik by Education and Sex: 31 March 2001¹

	Sex	Total	Level of professional education							
			High	Upper secondary	Secondary	Lower	Highly skilled	Skilled	Semi-skilled	Unskilled
Travnik	Total	8,655	894	483	2,464	525	318	1,647	919	1,405
	Women	3,944	312	234	1,351	238	25	504	482	798

¹ Trades are not included. Graduate degrees are included in the total number of High qualifications.

(Source: Statistics Institute for FBiH (SIFBiH))

Table 4 – SMEs and Their Employees in Travnik: average for 2001

	Total	Women
Total	1,185	445
Shop owners and their employees	1,168	436
Arts and crafts shop - Owners	202	67
Arts and crafts shop - Employees	86	28
Catering trades and shops - Owners	225	98
Catering trades - Employees	120	52
Transport Business - Owners	94	7
Transport Business - Employees	38	-
Other owners of Businesses	290	132
Other Businesses - Employees	113	52
Persons who have their own business - profession and their employees	17	9
Lawyers	10	5
Artists	-	-
Street newspaper vendors	7	4
Movie workers	-	-

(Source: Statistics Institute for FBiH (SIFBiH))

Table 5 – Average Salary Levels in Central Bosnia Canton by selected industrial sectors: December 2000

Sector	Number of employees	Average Gross Wage (KM per month)	Average Net Wage (KM per month)
Agriculture, Hunting & Forestry	1,305	692	470
Manufacturing	13,366	339	230
Electricity, Gas & Water Supply	1,379	906	616
Construction	1,002	316	215
Wholesale & Retail Trade, Repair of motor vehicles, personal & household goods	4,281	340	231
Hotels & Restaurants	1,174	332	226
Transport, Storage & Communications	1,873	925	629
Public Administration	1,707	714	486
Education	2,886	523	355
Health & Social Work	2,676	642	436
Average over all sectors	33,914	510	347

(Source: Federal Office of Statistics- Bulletin 40)

However the statistics contained in Tables 2- 5 do not present an accurate picture of employment in Travnik. Firstly it is important to note they relate only to businesses officially registered with the Authorities – and there is widespread acknowledgement that in Travnik, like elsewhere in BiH, there are very many businesses not registered (mainly because of an oppressive tax regime and formidable bureaucratic obstacles). It is believed most of these businesses are small in nature: cafes, market traders, taxi drivers, small-scale agriculture, are frequently quoted examples. Secondly even amongst businesses officially registered there is widespread under-reporting of employees and salaries (for reasons of tax avoidance – often, it is alleged, with the connivance of Authorities).

It seems likely that the number of employees in Travnik is significantly higher than the 9083 recorded in tables 1-3 above. However it is also likely that many of these “additional” employees will have work of only a part-time nature (some will have more than one part-time job) or be engaged in subsistence level agriculture/horticulture.

Current Economic Situation

In the words of a Canton Minister: nothing has happened since 1996! There is no economic development strategy; no foreign investment. The political climate is reactionary (e.g. opposed to privatisation); there is reportedly widespread corruption, suffocating bureaucracy and cronyism.

75% of Publicly owned Companies have been privatised; the remaining 25% are the larger, manufacturing units almost all not operational (they represent 50% of the notional value of all local Companies earmarked for privatisation). The Canton Government is making a legal challenge to the privatisation process, alleging it is illegal; it wants to stop the process and hopes to return those Companies already privatised to State/Federal ownership. If privatisation of the remaining 25% goes ahead a further 5,000 people are forecast to be made redundant. It is believed the Privatisation Agency has about 2.5 million KM from the proceeds of privatisation so far to invest in new business but the political climate is so adverse all plans are on hold pending the outcome of Canton elections in October.

Table 6 – Unemployment in Travnik: 30 April 2002

Total	Men	Women
6276	4084 (65%)	2192 (35%)

(Source: Employment Bureau)

The official statistics contained in Table 6 are widely believed to underestimate the true unemployment position for a number of reasons. It is important to note these figures relate only to registered unemployed. People might choose not to register for a variety of reasons. Firstly Travnik Municipality covers a wide, mountainous geographical area with difficult and expensive public transport; many people unemployed in rural areas are too remote to register. Secondly there is the problem of bureaucracy: applicants for registration must produce a variety of documents; some of which are relatively costly and difficult to obtain. Thirdly some people will undoubtedly decide the meagre benefit of registration (in Travnik for a few people the possibility some material assistance) is not a sufficient incentive. Fourthly some people have a low opinion of the employment bureau; they do not think it can help them (and perhaps they are aware that many employers do not consider using employment bureau to fill their job vacancies). The Canton Ministry of Industry and Economy estimates the unemployment position is understated by 50% (but this is an assumption without any firm data to support it). As a counterpoint to all this there are certainly some people registered as unemployed who are engaged in work in the grey economy.

Unemployment is a particular problem for people under the age of 32 (over 50% of all unemployed) – many have no work experience whatsoever.

Future Economic Prospects

The economic situation in Travnik will only improve if there is a radical change of political attitude. Even then the prospects look bleak. The development of agriculture, forestry and possibly food processing and rural tourism are possible ways forward but there are major hurdles to be overcome: poor transport links; land ownership and legal rights of farmers issues; no quality control of food produce (therefore it cannot be exported); land mines. In fact the obstacles to economic progress in Travnik are a lengthy, formidable list: in summary:-

- Canton and Municipal Governments opposed to private ownership of businesses;
- Poor roads; no rail or water transport;
- Allegedly widespread corruption, cronyism and excessive bureaucracy;
- Adverse business climate for SMEs (high taxes/non-existent support structure/political antagonism);
- Ethnic tensions (not helped by some political statements and actions);
- Canton and Municipality budget deficits (Canton salaries not paid for last 4 months);
- No cooperation or liaison between various layers of public administration, including Canton Ministries (and the newly appointed Canton Director of Employment Services has reportedly refused to continue the previous practice of providing the Canton with reports on the unemployment situation);
- An employment bureau which fulfils little more than a statistical collecting function.

Unless there is a major change in political ideology locally the future for Travnik looks bleak – and the racial tensions should be of major concern to the Authorities.

Economic Conditions in Trebinje

Note 1 – This annex contains what official statistics are available; however the reliability of these is dubious (see text)

Note 2 – Where anecdotal evidence is quoted it is based on the views of at least 3 apparently unconnected sources.

Background

Trebinje, RS, is the most southern town in BiH, 35km from Dubrovnik, Croatia. It is surrounded by the high, dry Dinaric Alps and situated in a series of long and fertile valleys. Its climate is Mediterranean.

It is a historic town with a number monuments of national importance such as the Arslanagic Bridge, built in Ottoman times, and a 15th century Orthodox Monastery.

Administrative centre and largest town in the region, the municipality of Trebinje covers an area of 903sq km. There are all the usual public utility services (water, electricity etc) but the telephone service is very poor –as a result there is no public Internet access. Roads locally are poor; there is no rail link.

Population and Industrial Structure

Population has grown from 30,000 in 1991 to an estimated 37,000 in 1998 – see [Table 1](#) below. The growth is entirely due to Serbian refugees and displaced Serbs settling in Trebinje as a result of the war. During the same period there has been an outflow of almost all people of non-Serbian nationality. The vast majority of the population lives in the town: the rural areas of the Municipality are sparsely populated with mainly elderly people.

Table 1 – Population

	1991	1998
Total population	30,879	37,484
Serbs	21,245 (69%)	36,944 (99%)
Bosniaks	5, 527 (18%)	158 (0.4%)
Croats	1,235 (4%)	382 (1%)
Others	2,872 (9%)	0

It is also worth noting, included in the 1998 figures in Table 1, was 11,925 refugees or displaced people. (Sources: 1991 Census and 1998 estimates)

Current Economic Situation

Prior to the war Trebinje was a producer of machine tools and a large supplier of fruit and vegetables, especially early season varieties grown mainly for the tourist industry in Dalmatia. Today (2002) there is large-scale unemployment, the machine tool making industry is a shadow of its former self, and the horticulture industry is largely dormant.

[Table 2](#) below contains a breakdown of employees by industrial sector whilst [Table 3](#) shows employees by education and sex. [Table 4](#) records numbers of SMEs and their employees and [Table 5](#) shows salary levels by industrial sector. However the statistics contained in [Tables 2- 5](#) do not present an accurate picture of employment in Trebinje. Firstly it is important to note they relate only to businesses officially registered with the Authorities – and there is widespread acknowledgement that in Trebinje, like elsewhere in BiH, there are very many businesses not registered (mainly because of an oppressive tax regime and formidable bureaucratic obstacles). It is believed most of these businesses are small in nature: cafes, market traders, taxi drivers, small-scale agriculture, are frequently quoted examples. Secondly even amongst businesses officially registered there is widespread under-reporting of employees and salaries (for reasons of tax avoidance – often, it is alleged, with the connivance of Authorities).

Financial Institutions	Women	81	9	12	50	-	1	2	1	6
	Total	147	33	11	86	2	5	5	-	5
Real Estate, Renting & Business Activities	Women	100	15	6	68	2	-	4	-	5
	Total	311	61	15	105	9	19	55	3	44
Public Administration, Defence, Social Security	Women	130	27	8	65	5	3	7	1	14
	Total	730	203	69	391	34	5	25	2	1
Education	Women	307	79	23	181	19	2	1	1	1
	Total	412	152	156	45	5	18	8	-	28
Health & Social Work	Women	264	80	116	30	5	1	4	-	28
	Total	539	104	63	242	-	26	18	5	81
Other Community, Social & Personal Services	Women	421	54	55	207	-	9	14	5	77
	Total	123	24	3	53	2	1	18	-	22
	Women	42	14	1	16	1	-	3	-	7

¹ Shop owners, persons who have their own business and their employees are not included
(Source: Official Gazette of RS)

Table 4 – SMEs and their Employees in Trebinje: September 2001

	Total	Women
Total	543	271
Shop owners and their employees	513	267
Arts and crafts shop - Owners	76	36
Arts and crafts shop - Employees	40	21
Catering trades and shops - Owners	62	24
Catering trades - Employees	83	47
Transport Business - Owners	42	-
Transport Business - Employees	1	-
Other owners of Businesses	103	57
Other Businesses - Employees	106	82
Persons who have their own business - profession and their employees	30	4
Lawyers	4	-
Artists	1	-
Movie workers	25	4

(Source: Official Gazette of RS)

Table 5 – Average Salary Levels in RS by selected industrial sectors: December 2001

Sector	Average Gross Wage (KM per month)	Average Net Wage (KM per month)
Agriculture, Hunting & Forestry	428	282
Manufacturing	351	234
Electricity, Gas & Water Supply	652	429
Construction	353	233
Wholesale & Retail Trade, Repair of motor vehicles, personal & household goods	391	259
Hotels & Restaurants	327	224
Real Estate, Renting & Business Activities	632	417
Public Administration	778	514
Education	494	327
Health & Social Work	572	377
Average over all sectors	503	332

(Source: RS Official Gazette)

What is very apparent is that the war has resulted in a massive decline in demand for agricultural/horticultural products from Dalmatia and a major loss of employment opportunities in the tourist industry around Dubrovnik. This together with the decline of the inefficient State-run machine tool factory and a significant number of displaced persons (many from Sarajevo) are the main reasons for the high unemployment in Trebinje today.

Table 6 – Unemployment in Trebinje: March 2002

However the unemployment statistics in Table 6 are also probably unreliable. They relate only to people registered at employment bureaux and there are a number of reasons why not all unemployed might chose to register. Firstly there is the problem of bureaucracy: applicants for registration must produce a variety of documents; some of which are relatively costly and difficult to obtain. Secondly some people will undoubtedly decide the meagre benefits of registration (the possibility of some health insurance and, in a very few cases, some material assistance) are not a sufficient incentive. Thirdly some people have a low opinion of the employment bureau; they do not think it can help them (and perhaps they are aware that many employers do not consider using employment bureau to fill their job vacancies). Finally for those who live in rural areas there is the cost of transport to the nearest employment bureau. As a counterpoint to all this there are certainly some people registered as unemployed who are engaged in work in the grey economy.

In Trebinje, like RS generally, there are no economic development plans or strategies (the official explanation for this lack is that Ministers and senior officials are too fully occupied with trying to reduce the budget deficit to devote time to planning). The economic future for Trebinje looks bleak (at present only the Hydro-Electric industry has potential for growth) unless action is taken. Action, which will only improve the economic situation over the long-term, could take a number of forms, for example:-

- The development of an economic strategy with priorities for development being, perhaps, investment in horticulture, food processing and small scale tourism;
- As the tourist industry in Dalmatia gradually recovers from the war it seems likely there will again be a market for agricultural/horticultural products and possible employment opportunities in the Dubrovnik area.

However neither of these economic steps forward will occur without positive action by BiH Authorities to affect a rapprochement with Croatia and an investment programme to restore agricultural/horticultural facilities (e.g. repair of glasshouses). Also there needs to be established a quality control system for food products to meet international requirements. In the meantime some of the land formerly used as businesses is unused, some now used for subsistence level farming and some, according to anecdotal evidence, is used for the illegal growth of drugs.

The obstacles to economic progress are severe:-

- In RS the Authorities still tend to think in terms of central planning; there are few, if any, local initiatives and the private sector is treated with suspicion;
- Uncertain land rights, mines, almost non-existent infrastructure, urban prejudice towards rural issues – all mitigate against developments in the countryside. Yet this is the one clearly identifiable economic development opportunity for Trebinje;
- The business climate for SMEs remains hostile in RS. High taxes/social welfare payments; an outmoded banking system; bureaucratic barriers; corruption – all hinder the development of SMEs;
- Privatisation has barely begun; as a result many of the existing State enterprises are inefficient, uncompetitive – and many are barely operating. As privatisation begins to take effect, however, further unemployment is likely.

All in all a most discouraging picture.

Zenica Economic Conditions

Note 1 – This annex contains what official statistics are available; however the reliability of these is dubious (see text)

Note 2 – Where anecdotal evidence is quoted it is based on the views of at least 3 apparently unconnected sources.

Background

Zenica is one of 12 Municipalities in Zenica-Doboj Canton. It covers 500 Sq km and is the administrative and cultural centre of the Canton. Although it has a long history dating back to Roman times it really came into prominence in the late 19th and early 20th Centuries when it was designated as the site for large-scale metallurgy works, supported by coal mining locally. It is located in the centre of BiH on the River Bosna and on the main North-South transport route (the proposed Euro-Motorway from Budapest to the Adriatic at Ploce, will pass through Zenica). It also has rail links with Sarajevo, and Central Europe via Zagreb.

Population and Industrial Structure

Table 1 shows the population and ethnic composition of Zenica.

Table 1 – Population

	1991	1998
Total population	145,517	118,108 + (32,201)
Bosniaks	80,359 (55%)	86,307 + (32,084) (73%)
Croats	22,510 (16%)	11,143 + (21) (9%)
Serbs	22,433 (15%)	6,031 + (8) (5%)
Others	20,215 (14%)	14,573 + (88) (12%)

Sources: 1991 Census and 1998 data provided by the Department of Social Services, Welfare, Displaced Persons and Refugees of Zenica Municipality. Note: 1998 data in brackets show numbers of displaced persons and refugees.

Table 2 – Employees in Zenica by industrial sector (trades not included): March 2002

	Total	Sector of ownership			
		State	Private	Cooperative	Mixed
All sectors	23,672				
Agriculture, Hunting & Forestry	117				
Fishing	-				
Mining & Quarrying	1,732				
Manufacturing	6,379				
Electricity, Gas & Water Supply	573				
Construction	2,217				
Wholesale & Retail Trade, Repair of Motor Vehicles, personal & Household Goods	2,818				N/A
Hotels & Restaurants	645				
Transport, Storage & Communication	2,030				
Financial Institutions	317				
Real Estate, Renting & Business Activities	807				
Public Administration, Defence, Social Security	1,627				
Education	1,792				
Health & Social Work	2,212				
Other Community, Social & Personal Services	406				

(Source: Statistics Institute for FBiH (SIFBiH))

Table 3 – Employees in Zenica by Education and Sex: 31 March 2001¹

	Sex	Total	Level of professional education							
			High	Upper secondary	Secondary	Lower	Highly skilled	Skilled	Semi-skilled	Unskilled
Zenica	Total	24,567	2,477	1,336	6,079	976	2,772	6,540	1,961	2,426
	Women	7,742	1,006	736	3,181	481	221	1,059	152	906

¹ Trades are not included. Graduate degrees are included in the total number of High qualifications.

(Source: Statistics Institute for FBiH (SIFBiH))

Table 4 – SMEs and their Employees in Zenica: average for 2001

	Total	Women
Total	2,020	982
Shop owners and their employees	1,965	956
Arts and crafts shop - Owners	280	94
Arts and crafts shop - Employees	183	48
Catering trades and shops - Owners	218	95
Catering trades - Employees	355	145
Transport Business - Owners	285	17
Transport Business - Employees	-	-
Other owners of Businesses	415	358
Other Businesses - Employees	229	199
Persons who have their own business - profession and their employees	55	26
Lawyers	44	20
Artists	-	-
Street newspaper vendors	11	6
Movie workers	-	-

(Source: Statistics Institute for FBiH (SIFBiH))

Table 5 – Average Salary Levels in Zenica-Doboj Canton by selected industrial sectors: December 2000

Sector	Number of Employees	Average Gross Wage (KM per month)	Average Net Wage (KM per month)
Agriculture, Hunting & Forestry	2,482	590	401
Mining	5,680	595	404
Manufacturing	24,785	386	250
Electricity, Gas & Water Supply	2,428	704	479
Construction	4,280	363	247
Wholesale & Retail Trade, Repair of motor vehicles, personal & household goods	7,204	416	283
Hotels & Restaurants	2,586	323	220
Transport, Storage and Communications	4,675	525	357
Real Estate, Renting & Business Activities	2,440	397	270
Public Administration	3,005	680	463
Education	5,043	575	391
Health & Social Welfare	3,804	627	427
Average over all sectors	70,190	503	342

(Source: Federal Office of Statistics – Statistical Bulletin 40)

However the statistics contained in Tables 2- 5 do not present an accurate picture of employment in Zenica. Firstly it is important to note they relate only to businesses officially registered with the Authorities – and there is widespread acknowledgment that in Zenica, like elsewhere in BiH, there are very many businesses not registered (mainly because of an oppressive tax regime and formidable bureaucratic obstacles). It is believed most of these businesses are small in nature: cafes, market traders, taxi drivers, small-scale agriculture, are frequently quoted examples. Secondly even amongst businesses officially registered there is widespread under-reporting of employees and salaries (for reasons of tax avoidance – often, it is alleged, with the connivance of Authorities).

It also seems likely that the number of employees in Zenica is significantly higher than that recorded in Tables 2-5 above. However it is also likely that many of these “additional” employees will have work of only a part-time nature (some will have more than one part-time job) or be engaged in subsistence level agriculture/horticulture.

Current Economic Situation

The key to Zenica’s economic prosperity has traditionally lain in its Metallurgy plants. In 1991 Zenica had 53,000 employees, 43,000 of them working in manufacturing industry (the 2 metal plants alone employed 23,000). Although the town did not suffer from significant physical damage during the recent war it lost its markets for most of its products. The continuous steel processing plant ceased to operate and there were major cutbacks in the mining of coal, metallurgy and textiles industries. At present it is estimated that out of a population of 127,000 there are only 27,000 employees, 18,000 of them in manufacturing. The Chamber of Commerce estimates only 30% of pre-war manufacturing capacity is now being used.

Official Employment Bureau statistics show there were 15, 651 registered unemployed in March 2002, of whom 9,300 received some sort of benefit. This represents 33% of the estimated overall population of working age (41% of the female population). But unemployment statistics are also probably unreliable. They relate only to people registered at employment bureaux and there are a number of reasons why not all unemployed might chose to register. Firstly there is the problem of bureaucracy: applicants for registration must produce a variety of documents; some of which are relatively costly and difficult to obtain. Secondly some people will undoubtedly decide the meagre benefits of registration (the possibility of some health insurance and, in a very few cases, some material assistance) are not a sufficient incentive. Thirdly some people have a low opinion of the employment bureau; they do not think it can help them (and perhaps they are aware that many employers do not consider using employment bureau to fill their job vacancies). Finally for those who live in rural areas there is the cost of transport to the nearest employment bureau. As a counterpoint to all this there are certainly some people registered as unemployed who are engaged in work in the grey economy.

According to the Canton Ministry of Work and Social Affaires, and the Director of Zenica Employment Bureau, unemployment is particularly severe amongst young people (School-leavers and Graduates) and the many people under the age of 32 or so who have no work experience whatsoever (by the time they left the education system they were called up for military service). The Canton has plans for an ambitious work experience programme but has no means of funding this. The Employment Bureau has benefited from a recent TACIS project to the extent it knows what needs to be done in terms of the creation of active employment and training methods but has no resources for this (staff or money).

It is worth noting that the employment bureau is aware of many employers who could offer jobs to more workers but are discouraged from doing so by high labour costs (employers ask for job subsidies: not available, of course)

Privatisation

The Canton Privatisation Agency estimates 60% of SOEs have now been privatised; most within the last 12 months. Those remaining are the larger enterprises. The Privatisation Agency's strategy is to give job retention top priority; it will lower the price in order to save jobs. However 50% of those Companies now privatised have done so only after declaring some redundancies. Evidence from other sources, including public statements made by some Ministers, suggests that Federation-wide many enterprises are being sold for a small fraction of their nominal value to "asset strippers". Certainly in Zenica the Privatisation Agency admitted very few foreign investors were interested in buying the SOEs; one of the reasons being the contractual obligations concerning employment (at contract negotiation the Agency and the investor must agree an employment figure for year 1 of the 3 year contract –that figure must be maintained, and in years 2 and 3 the investor must demonstrate an increase in the number employed. Failure to meet employment projections is regarded as a breach of contract. After the contract expires –at the end of year 3 – the new owner can declare redundancies at will). High labour costs (due to taxation), legal and administrative barriers and uncompetitive products were other reasons quoted for the lack of foreign interest.

Future Economic Prospects

Since the end of the war one of the metallurgy plants has attracted an investment of \$90million from the Kuwaiti Investment Authority (the largest foreign investment yet in BiH) in exchange for a major share in its equity. This investment is being used to radically modernise the integral liquid steel production plant and is in support of a strong long-term business strategy. However it is not expected to lead to much direct growth in jobs but will make existing jobs more secure. Some surplus buildings belonging to the steel plants are being converted into start-up premises for SMEs and the Municipal and Canton Administrations seem more progressive than most in BiH in trying to attract new industry and develop existing businesses. They have sponsored what is becoming an annual event: an International Trade Fair. Last year this attracted 458 exhibitors, including 250 from 27 countries.

Other positive factors are:-

- A new Technology Park has been created with the assistance of Italian partners;
- Legislative support for economic development and investment activities is better than in most parts of BiH;
- An economic development strategy is being drafted with the help of Economic Institutes in Croatia;
- Land and premises are available for new developments;
- The Canton Agency for Privatisation has 10m KM available from privatisation to date to support SMEs
- The Federal Employment Service has recently announced a competition for unemployed people seeking start up capital (loan at advantageous rates) to open their own small businesses. From Zenica alone there have been 190 applications (supported with business plans etc). If these were all approved (very unlikely in view of funding limitations) they would lead to the immediate creation of 423 jobs. This is encouraging in that it shows that even in a largely mono-industrial town there are significant numbers of people with some entrepreneurial tendencies.

Negative factors (many of them not peculiar to Zenica) are:-

- Poor level of educational qualifications, including literacy problems and a general lack of understanding of a free market economy;
- Political instability and lack of cooperation/coordination both within and between Canton and Municipality;
- Local Companies are technologically backward and cannot compete on either quality or price;
- Very high unemployment (with more to come: there are nearly 3,000 people on the wait list for the Metallurgy companies, with no prospect for employment there – they are waiting primarily for the employer to meet financial obligations, which seems increasingly unlikely. Additionally further privatisation and a much needed streamlining of the uncompetitive coal-mining industry can only lead to further job losses);
- Canton and Municipality have huge budget deficits;

- Existing Companies and new SMEs face high bills for taxes/social welfare payments (which account for 40% of GDP) and for State- provided public utilities especially Telecommunications and energy. They also have to overcome major administrative/bureaucratic hurdles.

In summary it might be said the business climate in Zenica is slowly improving – but it has a long way to go, with further setbacks, especially more redundancies, on the horizon.

Of the three towns surveyed for this report Zenica is the only one where some business progress can be identified.