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# Bosnia and Herzegovina: Industrial relations profile

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Area: 51,000 square kilometres

Population: 3.8 million (estimation)

Languages: Bosniak, Croat and Serbian

Capital: Sarajevo

Currency: Bosnian convertible mark (BAM) (€1 = BAM 1.96)

### *Economic background*

	Bosnia & Herzegovina	EU27
<b>GDP per capita</b> (in purchasing power standards, index: EU27=100)	30	100
<b>Real GDP growth</b> (% change on previous year) (annual average 2006–2009)	2.97%	0.62%
<b>Inflation rate</b> (annual average 2006–2009)	3.75 (2006–2009)	2.12%
<b>Average monthly labour costs, in €</b>	646 (2009)	3027 (2007)
<b>Gross annual earnings, in €</b>	4,800 (2009)	31,302 (2006)
<b>Gender pay gap</b> (difference between average earnings of male and female employees as percentage of earnings of male employees)	20% (estimation)	17.6% (2007)
<b>Employment rate</b> (15–64 years) (2009)	33.1% (2009)	64.6% (2009)
<b>Female employment rate</b> (15–64 years) (2009)	23.7% (2009)	58.6% (2009)
<b>Unemployment rate</b> (15–64 years) (2009)	24.1% (2009)	8.9% (2009)
<b>Monthly minimum wage</b>	€170.70	n.a.

Sources: *Croatian Bureau of Statistics (indicators marked by \*) and Eurostat*

### *Industrial relations, pay and working time*

	Bosnia & Herzegovina	EU27
<b>Trade union density</b> (trade union members as percentage of all employees in dependent employment)	30%	n.a.
<b>Employers' organisation density</b> (employees employed by companies that are members of an employer organisation, as percentage of all employees in dependent employment)	6%	n.a.
<b>Collective bargaining coverage</b> (employees covered by collective agreement as a percentage of all employees in dependent employment)	100% Sectoral: 50%	n.a.
<b>Number of working days lost through industrial action per 1,000 employees</b> (annual average 2006–2009)	25	31.78 days (estimate)
<b>Collectively agreed pay increase</b> (annual average 2008–2009)	0%	4.6% (not weighted)
<b>Actual pay increase</b> (annual average 2008–2009)	5.1%	1.7% (not weighted)
<b>Collectively agreed weekly working hours</b> (2009)	40	38.7 hours (not weighted)
<b>Actual weekly working hours</b> (2009)	48 (estimate)	39.3 hours (not weighted)

Sources: *Estimations of officials of the Alliance of Trade Unions of Bosnia and Herzegovina expressed in interview*

## Background

### Economic context

Following the reconstruction of its war-devastated economy, the country from 2000 embarked on the road of economic transformation. This process included privatisation of state-owned enterprises and private sector development. A high level of liberalisation has been achieved in all areas of economic life; however, the legal framework and institutions for regulation and monitoring in these areas have not been developed, and therefore the role of legislation is weak. Corruption is widespread, and political factors influence on the economy. The country became a member of the Central European Free Trade Agreement (CEFTA) in 2006. It signed the Agreement on Stabilisation and Association with the EU in 2008 and is a potential candidate country for accession to the EU. As part of its application for NATO membership, the country is implementing the Membership Action Program (MAP).

The Dayton Constitution of 1995 provides a weak role for the central state in economic management. The two entities – the Federation of Bosnia-Herzegovina and Republika Srpska – have jurisdiction in basic issues of economic development. The Constitution provides for the control of monetary policy through a currency board and the establishment of a convertible mark as a currency unit, which is now tied to the euro at a rate of BAM 1.96 to €1. Since the currency board provides for money issue exclusively from gained revenues, in other words, from transactions with other countries, economic growth is directly dependent on product and service exports, foreign direct investment inflow, foreign remittances and loans. Consequently, the economy functions as a small open economy, reliant on growth in international competitiveness.

Economic instability in the country worsened after the global recession, with 2009 being a particularly hard year due to a 3% decrease in GDP. The sources of instability are:

- 1) a low economic growth rate and poor economic recovery (growth was 5.8% in 2008, -3% in 2009, 0.5% in 2010, and was projected to be 2%–3% in 2011), accompanied by a low level of FDI and local investment that together make up about 22% of GDP (2009);
- 2) high unemployment over the entire recent period, reaching around 43% according to recorded unemployment statistics, and around 27.5% according to a labour survey;
- 3) high general consumption that amounts to around 50% of GDP, with a general government deficit of 4.7% annually;
- 4) a high level of deficit in the balance of payments, which amounted to 10.7% of GDP in 2007, 14.47% of GDP in 2008, 6.86% of GDP in 2009, and 6.0% of GDP in 2010, with the basic source of the deficit being the high foreign-trade imbalance that ranges about 20% annually;
- 5) an increasing level of public debt, which reached 40% in 2010 compared to 21.6% in 2006, thus reflecting a modest level of debt, though with the prospect of growth due to the extent of the deficit and public investment.

The country has comparative advantages in the areas of energy production from water, sun and wind, wood-processing and metal-working, tourism, and agriculture. Exploiting these resources to achieve higher competitiveness requires investment that should range up to 30% of GDP in the future. This could also alleviate the problem of unemployment among the generally high-skilled labour force. The main limitation to economic development is a high degree of political instability, a standstill in reforms, and high risks for investors in Bosnia and Herzegovina.

### Legal context

Bosnia and Herzegovina is a complex state with four legal systems, which makes the development of modern industrial relations very complex in legal terms. Issues in the area of labour and social rights and institutions are almost solely under the jurisdiction of the entities and, in the Federation of Bosnia-Herzegovina, under cantonal jurisdiction as well. No political will exists for key issues in the construction of modern industrial relations to be regulated by legislation at the level of the state, although there are no constitutional or legal obstacles to doing so.

In light of these circumstances, the most important legal documents for industrial relations are the following:

1. the Constitution of Bosnia and Herzegovina – Article I.1, I.2, I.3; Article II.1, II.2, II.3(i); and Article III.1, II.2;
2. Annex I of the Constitution of Bosnia and Herzegovina, which includes the International Agreement on Civil and Political Rights of 1966, the International Agreement on Economic, Social and Cultural Rights of 1968, and the International Convention on the Elimination of All Forms of Racial Discrimination;
3. an integral part of the Constitution of the Federation of Bosnia-Herzegovina are the European Convention for the Protection of Human Rights and Basic Freedoms, the International Agreement on Economic, Social and Cultural Rights of 1968, the International Agreement on Civil and Political Rights of 1966, and the European Social Charter of 1961;
4. the Constitution of the Republika Srpska;
5. the Labour Law of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issues 43/99, 32/00 and 29/03);
6. the Labour Law of Republika Srpska (Official Gazette of Republika Srpska, issue 55/2007);
7. the Labour Law of the Brčko District (Official Gazette of the Brčko District, issues 7/00, 8/03 and 33/04);
8. the Law on Strikes (Official Gazette of the Federation of Bosnia-Herzegovina, issue 14/00)
9. the Law on Works Councils (Official Gazette of the Federation of Bosnia-Herzegovina, issue 38/04);
10. the Law on the Economic and Social Council of Republika Srpska (Official Gazette of Republika Srpska, issue 110/08);
11. the Law on the Peaceful Solution of Industrial Conflicts (Official Gazette of Republika Srpska, issue 71/2009);
12. the general collective agreement for the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issue 54/05);
13. the general collective agreement of Republika Srpska (Official Gazette of Republika Srpska, issue 27/06);
14. the European Social Charter ratified by Bosnia and Herzegovina.

### Main industrial relations trends

Relations between labour and capital are very strained, which has slowed the development of industrial democracy (Rozić, 2009). Trade union activities are focused on maintaining the achieved level of rights, since there is a strong pressure to reduce these rights. Employee involvement in improving working conditions and in enterprise decisions that affect their working conditions is limited. Workers assert their rights most often through strikes, which are very frequent. Most new employers, particularly those that emerged from poorly conducted privatisations, do not accept employees as real partners in industrial relations.

Employee participation in decision-making in the workplace is mainly confined to works councils, as well as participation through trade unions in tripartite partnerships with employers and entity governments. Except for the tripartite collective agreements, all other forms of participation are advisory in character (Marković). Employees' requests for participation in the work of enterprise supervisory boards, regardless of whether they are state-owned or privately owned, have not so far been supported by government, since the authorities believe that the state should not intervene in market relations – in this case, relations between labour and capital. A major obstacle in the recognition of social partnership is the poor organisation of trade unions, from local to state level, and their division according to entity, national, sectoral and interest-based criteria.

The complex structure and very modest competences of the state, combined with the fact that Bosnia and Herzegovina is not a state with a strong orientation towards social rights create a very unfavourable political and legal environment for strengthening of industrial democracy processes (Milardović, 1998). Although employee rights have been considerably improved in legislation, they are insufficiently observed in practice, since the rule of law has not become a basis for either judicial activities or the activities of other bodies. Employees have major complaints over the slowness of courts to protect their rights, as well as over the poor organisation and inefficiency in the work of inspection bodies. The protection of employees' rights at work is also weakened by the existence of four legal systems in Bosnia and Herzegovina (the state, the two entities, and the Brčko District).

### Main actors

The main actors in social dialogue and partnership at the Bosnia and Herzegovina state level are:

- the Confederation of Bosnia and Herzegovina Trade Unions;
- the Association of Bosnia-Herzegovina Employers (<http://www.apbih.ba/>).

In the Federation of Bosnia-Herzegovina, the main actors are:

- the Confederation of Independent Trade Unions of Bosnia-Herzegovina (SSSBiH);
- cantonal trade unions and vocational trade unions;
- employers' associations at entity (<http://www.upfbih.ba>) and canton levels.

And the main actors in Republika Srpska are:

- the Confederation of Trade Unions of Republika Srpska (SSRS);
- the Union of Employers' Associations of Republika Srpska.

### Trade unions

The role of trade unions as an organised social force that represents and fights for interests of labour as a whole is growing. Employees have low confidence in forms of participation and collective bargaining, although they accept that they cannot improve their working conditions and other rights by themselves.

A consistent and unique organisation of trade unions for Bosnia and Herzegovina as a whole has not been established. Confederation members and vocational trade unions do not accept or implement agreements reached by the trade union confederations in the Federation of Bosnia-Herzegovina and Republika Srpska.

In the Federation of Bosnia-Herzegovina, the most important trade union confederation is the Confederation of Independent Trade Unions of Bosnia-Herzegovina (SSSBiH), which comprises 22 branch-level (sectoral) trade unions. Another is the Alliance of Independent Trade Unions of the Federation of Bosnia-Herzegovina, which includes about 30 trade unions, mostly from five cantons, although their influence is far less than that of the SSSBiH. In Republika Srpska, the most important confederation is the Confederation of Republika Srpska Trade Unions, which includes 15 branch-level trade unions. All these trade unions participate in collective bargaining and social dialogue.

At the level of Bosnia and Herzegovina, the SSSBiH and Alliance of Trade Unions of Republic of Srpska (SSRS) united a couple of years ago and formed the Confederation of Bosnia and Herzegovina Trade Unions, which has its own management and officials and meets as necessary. The confederation has not yet gained recognition as a legal successor of the pre-war Alliance of Trade Unions of Bosnia and Herzegovina. In that regard, the confederation has no ability to represent the trade unions of Bosnia and Herzegovina in international relations. Branch-level trade unions have not yet united. The Alliance of Independent Trade Unions of the Federation of Bosnia-Herzegovina was established as ‘an expression of dissatisfaction’ with a certain number of trade union organisations in five cantons (Herzegovina-Neretva, West Herzegovina, Canton 10 (Livno), Central Bosnia and Posavina).

With respect to parties to collective bargaining, trade unions are still better organised than employers.

### Employers’ organisations

In the Federation of Bosnia-Herzegovina, the employers’ association was established in 2002 and somewhat later in Republika Srpska. Recognition of collective agreements and the establishment of Economic and Social Councils in the entities are continually bringing about an increase in the number of branch and cantonal employers’ associations.

The most important employer organisations are the Association of Employers of the Federation of Bosnia and Herzegovina and the Union of Employers’ Associations in Republika Srpska. Branch or sectoral employers’ associations are also gaining importance. In Republika Srpska, there is the Employers’ Association within the private sector and the League of Employers’ Associations at the state sector level. There is an employers’ association at the level of Bosnia and Herzegovina, but the Economic and Social Council has not been formed yet at this level and there is no collective agreement, and therefore it cannot perform its role fully.

The global economic crisis has made employers increasingly aware of the possibility to influence the development of economic and social policy, and to regulate working relations. The Labour Law in Republika Srpska lays down representativeness criteria – in other words, the right of associated employers to participate in social dialogue depending on the number of employees they represent. The same will be done in the Federation of Bosnia-Herzegovina in 2012 when a new Labour Law is passed.

## Industrial relations characteristics

### Collective bargaining

The dominant level of collective bargaining is entity level. The general collective agreement for the Federation of Bosnia-Herzegovina and the general collective agreement for Republika Srpska form a starting basis for defining collective agreements in branches or in cantons in the Federation of Bosnia-Herzegovina. Lower bargaining levels cannot define a smaller scope or a lower level of rights, including pay and working time, than those defined in general collective agreements and labour laws.<sup>1</sup>

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<sup>1</sup> Cf. Article 3 of the general collective agreement of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issue 54/05) and Article 3 of the general collective agreement of Republika Srpska (Official Gazette of Republika Srpska).

The coverage rate of collective agreements depends on the agreement. The general collective agreement in the Federation of Bosnia-Herzegovina has 100% coverage rate, while branch-level (sectoral) collective agreements cover around 50% of the workforce. Conditions in Republika Srpska are similar. If the branch-level collective agreement has not been signed, the general collective agreement applies.

The provisions of collective agreements are binding for signatories in both entities. Employers are bound to adhere to the provisions of general collective agreements, cantonal collective agreements, and branch-level collective agreements.

The general collective agreement of the Federation of Bosnia-Herzegovina is in force for an indefinite period of time, although, upon the initiative by one of the signatories, it can be changed and amended in the way provided for. The Federation of Bosnia-Herzegovina is at present considering signing the general collective agreement for a defined period of time. The general collective agreement of Republika Srpska, signed on 11 May 2010, includes the provision that it will remain in force until a new Labour Law has been passed.

Lower-level collective agreements are tied to the general collective agreements of the Federation of Bosnia-Herzegovina and Republika Srpska respectively, and therefore there are no voluntary extension or application mechanisms of the terms of collective agreements.

In line with the general collective agreement for the Federation of Bosnia-Herzegovina, the main wage bargaining mechanisms are the following: 1) the employer is bound to pay employees equal wages for work of equal value, regardless of their national, religious, regional, gender, political and trade union affiliation and orientation, 2) the basic wage is the lowest amount the employer has to pay to the employee for full-time work, and 3) the basic wage is a product of the lowest net wage and the corresponding coefficient of complexity of tasks performed by the employee.<sup>2</sup> Collective agreements in Republika Srpska include similar terms.

Due to the complex structure of Bosnia-Herzegovina authorities and the trade unions and employers are organised, decentralisation prevails in collective bargaining. Although general collective agreements form a basis for branch-level, activity-level and cantonal agreements, branch or activity-level agreements still define certain specifics characteristic of them.

### *Levels of collective bargaining summarised*

Levels of collective bargaining summarised	National (intersectoral)	Sectoral	Company
Principal or dominant level	✓		
Important but not dominant		✓	
Weak level			✓

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<sup>2</sup> See Articles 6 and 7 of the general collective agreement of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issue 54/05).



### Other issues in collective agreements

The general collective agreements, both in the Federation of Bosnia-Herzegovina and Republika Srpska, regulate pay, remuneration and working time and numerous other issues, such as safety in the workplace, obligations to pay contributions, rewarding and stimulating employees, food allowances, holiday pay, and severance pay in case of dismissal. However, issues of stress, harassment and redundancies, as well as training and lifelong learning have not been regulated by these agreements, but by labour laws in both entities.<sup>3,4</sup>

Gender equality and discrimination prevention are not regulated at all in collective agreements, since these issues are also dealt with by the labour laws of both entities.<sup>5</sup> However, gender inequality is widespread, with forms of discrimination against women similar to those in other European countries.

### Industrial conflict

Workers decide to strike freely,<sup>6</sup> although they are bound to organise it in line with legal regulations. Since Bosnia and Herzegovina is experiencing an economic and social crisis, which has been deepened by the global economic crisis and recession, strikes have become more frequent over the past two years, and strikes occur every day. Most often these are strikes have been over the denial of their rights in a specific environment. However, except for a couple of cases, there have not been general strikes where workers, through trade unions, have shown their true social power and ability to affect the democratisation of industrial relations

Strikes have been organised in both the private and public sectors, and have most frequently occurred in the metalworking, wood-processing and construction industries, followed by trade and catering.

Reasons for collective actions are numerous; most frequently they are triggered by violation of labour legislation and collective agreements, failure to pay wages or lower payment of wages and other remunerations, failure to pay contributions for pension, disability and health insurance. Industrial conflict has also been triggered by the closing or liquidation of enterprises in failed privatisations, which has left workers without a job, pay and paid contributions.

The Law on Strike of the Federation of Bosnia-Herzegovina<sup>7</sup> provides that a strike cannot start before the completion of a conciliation procedure provided for in the Labour Law. There is a similar provision in the Law on Strike of Republika Srpska, with conciliation conducted under a separate law – the Law on Peaceful Resolution of Industrial Conflicts.<sup>8</sup> Under the Labour Law of the Federation of Bosnia-Herzegovina, if parties do not agree on the conflict, a conciliation procedure is started before the conciliation council, which cannot be longer than five days. The conciliation council can be formed for the Federation territory or for a canton. If agreement has not been reached upon the expiration of this period, parties can pass the conflict resolution to arbitration, and the arbitration decision is final and has the legal force and effect of a collective agreement. However, the conciliation process is very rarely used in practice.

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<sup>3</sup> See the Labour Law of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issues 43/99, 32/01 and 29/03) and the Labour Law of Republika Srpska – refined text (Official Gazette of Republika Srpska, issue 55/2007).

<sup>4</sup> See Article 25 of the Labour Law of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issue 43/99).

<sup>5</sup> See Articles 107–113 of the Labour Law of Republika Srpska (Official Gazette of Republika Srpska, issue 55/2007).

<sup>6</sup> Cf. the Law on Strike (Official Gazette of the Federation of Bosnia-Herzegovina issue 14/00) and the Law on Strike (Official Gazette of Republika Srpska, issue 111/2008).

<sup>7</sup> See Article 6 of the Law on Strike of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issue 14/00).

<sup>8</sup> See the Law on Peaceful Resolution of Industrial Conflicts (Official Gazette of Republika Srpska, issue 71/2009).



### Tripartite concertation

At the level of the state of Bosnia and Herzegovina, there is no social dialogue or collective concertation, since the state has no jurisdiction for issues in the area of labour and social policy (for example, there is no labour law, nor laws covering pensions and disability insurance, health insurance or protection in the workplace). Entity legislation in the area of labour law and social relations is not harmonised, and each is independent. Besides, trade union activities have not yet transcended ethnic and entity borders.

### Workplace representation

The main form of employee representation at workplace level is the works council.<sup>9</sup> Employees in workplaces that employ no less than 15 employees (except for the armed forces, police and administration bodies) have the right to participate in decision-making related to their economic and social rights through a works council. A works council, upon trade union proposal, is elected in free and direct elections by secret voting. It has an advisory role, which means it has the right to be informed and consulted on issues of development and economic policy and how these affect the position of workers. Since employers may, but do not have to, form works council, and since they frequently obstruct works council activities by electing their own people to them, works councils have not yet gained recognition or become operational in their full capacity. There have been cases where employers have used them to oppose the trade union.

The formation of works councils and their way of operation in the Federation of Bosnia-Herzegovina are regulated by the Law on Works Council, while in Republika Srpska they are regulated by the Labour Law.

*Employee representation at establishment level summarised*

	Present	Incidence
<b>Trade union</b>	Entity level, canton level	As a rule
<b>Joint trade union committee</b>	No	
<b>Works council</b>	Yes, in companies with more than 15 employees	As a rule
<b>Health and safety</b>	No	
<b>Work environment committee</b>	No	
<b>Workers' delegate</b>	Yes	Very rare
<b>Technology delegate</b>	No	
<b>Learning representative</b>	No	
<b>Equality committee</b>	No	
<b>Other: Economic and social council</b>	At entity and cantonal level	As a rule

At the state level, no institution has been established where employees and employers may be represented directly or through trade unions, not even the planned Economic and Social Council. There are no legal regulations on the Economic and Social Council, the reasons for this being of a political nature, since the Council of Ministers is trying to impose the idea that the Economic and Social Council be appointed from entities, rather than directly by the Confederation of Bosnia-Herzegovina Trade Unions, the Association of Bosnia-Herzegovina Employers, and Council of Ministers. The absence of the Economic and Social Council has very unfavourable effects on the overall economic and social relations in Bosnia and Herzegovina.

At entity and canton levels, employees are represented through trade unions in economic and social councils. The position and role of economic and social councils in Republika Srpska are regulated by Law on Economic and Social

Council,<sup>10</sup> while in the Federation this issue is regulated in the Labour Law. The economic and social council is a tripartite body which, at the entity level, consists of the representatives of government, trade unions and the employers' association. At the canton level it is made up of cantonal trade union organisations, the employers' association and government. Economic and social councils have gained a considerable recognition as places of tripartite concertation on issues such as improving collective bargaining and developing economic and social policies. Unfortunately, in accordance with the European Social Charter, there are no other institutions in Bosnia and Herzegovina that allow workers through their representatives to contribute to the improvement of their rights.<sup>11</sup>

### Employee's rights

Since the failure to respect employees' rights is common, employees often bring their grievances before labour inspectorates and courts, although the protection offered by these bodies is limited. Inspection offices are poorly staffed and poorly equipped and, most importantly, they do not have the power to protect employees' rights effectively. Court protection is fairly costly since it usually involves lawyers, and the procedure is long. An integral labour law is being prepared in the Federation of Bosnia-Herzegovina that would more completely resolve the issue of inspection service activities. In order to increase their efficiency, and quality of work, the establishment of labour courts in the Federation of Bosnia-Herzegovina is justified, since it has already been done in Republika Srpska. Workers' complaints due to violation of labour rights are very frequently addressed to the Bosnia-Herzegovina Ombudsman and the Helsinki Committee for Human Rights in Bosnia-Herzegovina.

## Pay and working time developments

### Minimum wage

In the Federation of Bosnia-Herzegovina, the minimum wage is determined by the general collective agreement and in Republika Srpska by the Labour Law, with some criteria being defined in general collective agreement as well.

In 2011, the minimum wage in the Federation of Bosnia-Herzegovina amounted to BAM 365 (€187 as at 28 May 2012) or 45 % of the average wage. According to the general collective agreement, the lowest gross wage in the Federation of Bosnia-Herzegovina is set by a collective agreement for an activity, where the gross hourly pay including contributions and taxes cannot be lower than BAM 2.96 (€1.51). The lowest net hourly wage cannot be lower than 1.74 (€0.89), and in the case of some exceptional activities, it cannot be lower than BAM 1.25 (€0.77). The lowest wage is adjusted according to increases in living costs and retail prices, and overall economic progress, at least once a year. If living costs increase by at least 5% over the previous three months, the gross hourly wage is mandatorily increased.<sup>12</sup> In Republika Srpska, the minimum wage is set by the Labour Law and amounts to 45% of the average wage paid in Republika Srpska, currently BAM 370 (€189). The general agreement provides that the minimum wage is set by taking into account wage trends, growth of production and the standard of living. Cases of paying wages lower than guaranteed the minimum are frequent, especially in industrial activities.

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<sup>10</sup> See the Law on Economic and Social Council of Republika Srpska (Official Gazette of Republika Srpska, 2008).

<sup>11</sup> See Article 22 of the European Social Charter.

<sup>12</sup> See Articles 8 and 9 of the general collective agreement of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issue 54/05).

The minimum wage is equal for all activities. However, the basic wage is the lowest level an employer has to pay to an employee for full-time work, for a job of a given complexity group, with normal work conditions and results.

### Pay developments

The earnings of workers in manufacturing are substantially lower than workers in other sectors. Workers' rights are most often violated in the manufacturing sector, and it is experiencing greatest problems with company restructuring.

Table 1: *Net monthly salaries in the economy and manufacturing, 2007–2010*

	2007	2008	2009	2010	Index (2007–2010)
<b>Economy</b>	€3,952	€4,608	€4,841	€4,890	123.7
<b>Manufacturing</b>	€2,947	€3,235	€3,358	€3,474	117.9

Source: *Central Bank of Bosnia-Herzegovina, Bulletin 4 for related years*

Table 2: *Wage developments, 2007–2010*

	2007	2008	2009	2010	Index (2007–2010)
<b>Nominal wages growth</b>	100.0	116.6	105.1	101.0	-
<b>Nominal wages growth in manufacturing</b>	100.0	109.8	103.8	103.5	-
<b>Inflation</b>	100.0	103.8	100.0	103.1	-
<b>Real wages growth</b>	100.0	112.3	105.1	97.9	-
<b>Real wages growth in manufacturing</b>	100.0	105.8	103.8	100.3	-

Source: *Central Bank of Bosnia-Herzegovina, Bulletin 4 for related years*

The gender gap pay in Bosnia and Herzegovina reflects similar trends as those of Western countries. Women's status and protection is comparatively well established in normative law (particularly protection of maternity rights and the ban on discrimination), although there are considerable differences and deviations in practice.<sup>13</sup> These discrepancies are reflected in more difficult employment, more frequent dismissals due to maternity leave, more frequent temporary employment to allow dismissal when it suits the employer, and failure to pay for overtime work, particularly in trade and hospitality. There are no exact data for the incidence of gender discrimination, but it is clear from complaints that women employees file to Ombudsmen, judicial institutions, the Helsinki committee and other institutions that it is prevalent (Institution of Human Rights Ombudsman of Bosnia-Herzegovina, 2010).

### Working time

The labour laws of the Federation of Bosnia-Herzegovina and of Republika Srpska provide for full working time of no longer than 40 hours a week,<sup>14</sup> including a 30-minute break each day during working hours. At workplaces where there is increased risk of harm to workers' health, working time is shortened relative to this effect. It is estimated that workers in retail work most overtime. Employees are motivated to work overtime on condition that they are paid in accordance with general collective agreement. However, in some cases, employers request to pay overtime as regular work, except when it is performed at night.

<sup>13</sup> See Articles 76–85, 109–111 of the Labour Law (Official Gazette of Republika Srpska, issue 55/07). Similar provisions are found in the Labour Law of the Federation of Bosnia-Herzegovina (Official Gazette of the Federation of Bosnia-Herzegovina, issues 43/99, 32/00 and 29/03).

<sup>14</sup> See Article 29 of the Labour Law of the Federation of Bosnia-Herzegovina (Official Gazette of the the Federation of Bosnia-Herzegovina, issue 43/99) and Article 40 of the Labour Law of Republika Srpska (Official Gazette of Republika Srpska, issue 55/07).

The general collective agreements for the Federation of Bosnia-Herzegovina and Republika Srpska do not regulate working time, so it is not on the collective bargaining agenda.

There are no records of the actual weekly working hours, although it is quite certain that actual weekly working hours are considerably greater than provided for by law. This is the case in both formal and informal economy sectors. It is estimated that work in the 'black economy' creates 35%–40% of GDP in Bosnia and Herzegovina. In the formal sector, violations of legal provisions on working time are particularly widespread in the construction industry, trade and catering sectors.

In both entities, a worker is entitled to a holiday which, depending on the length of service and age, is 18–30 days. In addition, an employee is entitled to a weekly break of no less than 24 continuous hours and to paid leave of five or seven working days within a calendar year in cases such as marriage or birth of a child.<sup>15</sup>

## Research on working conditions

Unfortunately, there are very few recent studies dealing with workplace issues, particularly on the process of developing social dialogue and partnership between employees and employers, and employees' participation in decision-making, both at enterprise and state authority level. There is no united incentive for such studies, and approaches have been partial (such as topical round-tables and occasional publications). Some contributions from non-governmental organisations on the topic of working conditions have been published on the internet.

## Main trends in restructuring

Privatisation was completed in the commercial sector in the 1999–2006 period, although a lot of these enterprises have not been restructured. Many of these companies are privately owned, are inactive and keep employees 'on hold', and consequently their unpaid wages accumulate and are claimed by the enterprise. Trade unions expect that when bankruptcy procedure is initiated against such companies, employees will receive some of the pay that they are owed. There are about 15,000 employees across Bosnia-Herzegovina on hold in inactive enterprises.

A second issue is failure to restructure state-owned public enterprises. They have latent surpluses of about 5,000 employees, without whom these enterprises could function.

The privatised enterprises have mostly been restructured on an operational level in sense of cost and employment reduction, and employee numbers have been reduced by 30,000–40,000 employees through retirement and severance pay for starting new businesses. However, due to economic instability, jobs are being lost all the time. There are few companies which have been restructured in a strategic sense by investing in new technology, developing new markets, and employing additional qualified employees.

The most vital part of the economy are small enterprises, which are numerous, and, regardless of a high failure rate, provide the most employment.

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<sup>15</sup> See Articles 39 and 46 of the Labour Law of the Federation of Bosnia-Herzegovina (Official Gazette of the the Federation of Bosnia-Herzegovina, issue 43/99) and Article 66 of the Labour Law of Republika Srpska (Official Gazette of Republika Srpska, issue 55/07).

Bankruptcy procedures are conducted to a limited extent. Trade unions have recently used bankruptcy procedures to ensure the payment of overdue wages to employees. However, due to the crash of the real estate market, assets of bankrupt enterprises cannot be sold, and the bankruptcy process typically fails to compensate all the creditors, including employees. Bankruptcy is usually the end of an enterprise; in only a couple of instances has the enterprise been reorganised and revived.

Trade unions and employees are typically excluded from the enterprise restructuring process. There have been cases of cooperation between employers and trade unions in restructuring planning, but trade unions have refused cooperation in most cases where restructuring required the dismissal of surplus employees. Trade unions strongly opposed the privatisation of large companies such as BH Telecom, although it was clearly stated that such a privatisation had to be accompanied by extensive social programmes for employees. Resistance to the privatisation of a comparatively stable company such as BH Telecom by a trade union is motivated by the fact that government is willing to maintain the company in its current state. A new owner would start restructuring and tackle the high costs of employees.

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