Chapter 10

Bosnia and Herzegovina

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Abstract Similar to other European countries experiencing growth in their 65+ populations, Bosnia and Herzegovina have also been affected by an intensive population ageing process. This national phenomenon affects the pension system, the health system and the labour market. A brief description of extending working life in the socio-economic context in Bosnia and Herzegovina, including gendered statistics on employment for older workers and pension coverage, is presented in this chapter. There is a discussion on extended working life policies, pension reforms, pensions systems and policy, and relevant employment and health policies for older workers. Flexible employment policies and training for older workers have not yet been introduced in Bosnia and Herzegovina. Future policy recommendations are also discussed.

Keywords Extended working life • Health policies • Pension reform • Employment • Gender

Introduction

The challenges of an ageing population have only recently gained attention in Bosnia and Herzegovina. In the late twentieth century and especially in the early twenty-first century the proportion of older people in the national population increased. Yet, recommended pension reforms cannot be expected if most citizens are unaware of the issues or if many oppose the reforms presumed to be necessary (Pijalović et al. 2018). This chapter discusses the country's socio-economic context and its pension system and relevant legislation. Next, gender differences in employment rates and pension coverage among older people are discussed. The chapter outlines the main

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challenges facing the current pension system and prospects for extended working life, health policies and the debate on extended working life, and offers some policy recommendations.

The Socio-Economic Context in Bosnia and Herzegovina

The post-communism transition process and social reforms in Bosnia and Herzegovina have both been very slow. Partly due to the legacy of war (1992–1995), pension reforms relating to demographic challenges ahead have mostly been ignored. Additionally, a lack of official data has delayed this process. The war left a drastic demographic legacy, with a fall in the total population from 4.3 million to the current 3.7 million (Pijalović et al. 2018). Bosnia and Herzegovina, unlike other transition countries, entered the transition phase war torn and with significant human and infrastructural losses. By 1995, the Gross Domestic Product (GDP) had shrunk to less than a third of its pre-war level (Stumpf 2010). Despite receiving international aid, Bosnia and Herzegovina's migration and demographic changes have made social, pension and health funds especially vulnerable. The share of total public pension spending as a percentage of GDP has increased from 3.3% in 1996 (World Bank 1997) to 9.4% in 2012 (World Bank 2016).

Bosnia and Herzegovina have had a large budget deficit for years. This deficit is financed by borrowing, so the current external debt of Bosnia and Herzegovina is around 30 % of GDP. Almost 30% of the state budget is spent on public employees' wages, while 38% is transferred through the social benefits system. There is no industrial base that will allow the country to repay loans in the future (Bošnjak 2016).

The population in Bosnia and Herzegovina is ageing. It is estimated that by 2060, persons 65 years of age and older will represent more than 30% of the population, compared to 15% in 2010 (UN DESA 2010, 2015). Older people in Bosnia and Herzegovina belong to a highly vulnerable social group. The key issues faced by older people are a low monthly income, increased living costs, high morbidity of cardiovascular and malignant diseases, and related mortality rates. The illiteracy rate of 2.82% is higher than in neighbouring countries (Council of Ministers of Bosnia and Herzegovina 2017). In 2014, women outlived men by 4.6 years on average and one third of women live alone, compared to only 15% of men. Loss of a spouse makes older women more vulnerable to the risk of poverty (USAID 2016).

Gender and Employment in Bosnia and Herzegovina

The employment rate in Bosnia and Herzegovina is lower than in other European countries. The unemployment rate averaged 42.2% from 2007 until 2018, reaching a high of 46% in 2013 and a record low of 35% in 2018 (Trading Economics 2019).

Among employed persons, over three quarters (75.8%) are employees, 20.7% are self-employed and 3.5% are unpaid family workers. The pattern is similar for men and women, although a much lower percentage of women than men are self-employed (15.2% compared to 23.9% of men). A significantly higher proportion of women are unpaid family workers (6.6% compared to 1.7% of men) (Husković et al. 2017; Khare et al. 2011). The proportion of self-employed people is higher in Bosnia and Herzegovina than the average across the EU. A higher proportion of self-employed people in Bosnia and Herzegovina are small farmers, and a greater proportion of self-employment is found in the informal sector than in the EU. Among the estimated 77,000 self-employed people, 74% are men (USAID 2016).

Working age women have lower educational attainment levels than men. A considerably higher proportion of women than men have only a primary education (49% compared to 29% respectively), with a similar gap in favour of men in secondary education (60.9% compared to 41.7% respectively). More men than women are employed among individuals between 45 and 54 years of age. While employment opportunities for women increase with higher educational levels, those opportunities are accompanied by longer waiting periods until they obtain a permanent contract. Women dominate employment in the pre-university level education sector. There is evidence that men are more likely to be selected for professional positions than women (Somun-Krupalija 2011; USAID 2016).

Two out of three economically inactive persons in Bosnia and Herzegovina are women, and two out of three working age women are not in paid work (the inactivity rate is 66% for women of working age, and 45% for men). Bosnia and Herzegovina have a Gender Inequality Index (GII) value of 0.166 (GII reflects gender-based inequalities in three dimensions: reproductive health, empowerment, and economic activity), ranking it 37 out of 160 countries in the 2017 index (UNDP 2019).

According to 2015 United Nations data, the labour force participation of older workers over the age of 65 in Bosnia and Herzegovina has decreased sharply from 1950 to 2010, as shown in Table 10.1 (UN 2015).

In 2010, the employment rate among workers aged 65 and above was 12.3% (21.2% for men and only 5.8% for women). In Bosnia and Herzegovina, a gender gap in the activity rate that favours men is high across all age groups, although it has decreased in the 2013–2015 period. The gender gap rate is the highest for the 25–49 age groups (27.3%). In the 50–64 age group, two out of three women and one out of two men are inactive in the formal labour market. The gender gap here can be

Table 10.1 Labour force participation of older workers over the age of 65 by gender in Bosnia and Herzegovina, in the period 1950–2010 (percentage)

Labour force participation 65+	1950 (%)	1970 (%)	1990 (%)	2000 (%)	2010 (%)
Women	11.0	14.6	7.2	6.5	5.8
Men	61.6	51.3	27.4	23.9	21.2
Total	31.1	30.6	14.9	13.7	12.3

Source Population Division, DESA, United Nations (2010)

partially explained by an earlier retirement age for women than for men. Women over the age of 50, particularly those with lower education, are a hard-to-employ group once they become unemployed and very often get discouraged and stop looking for work (USAID 2016).

Poorer members of the population and residents of rural areas participate less in the workforce. The labour force participation gap between men and women is 20% among the wealthy and 31% among poorer people (World Bank 2016). In rural areas, the gap is 30% in favour of men. The gender gap in unemployment is low. In 2018, the unemployment rate for men aged 15–64 was 27%, and 30% for women (UNDP 2018). The gender difference in unemployment rates is similar across age groups. Among older age groups, the unemployment gap is higher in favour of men, at around 4 or 5% (World Bank 2017). Self-employed women and single mothers are in particularly difficult situations. Self-employed women cannot take advantage of maternity leave that would enable them to act as employers of themselves, and they do pay contributions such as pensions and health insurance during maternity leave (Elwan 2015; USAID 2016).

Pension System and Extended Working Life Policies in Bosnia and Herzegovina

The Pension and Disability Insurance System in Bosnia and Herzegovina is a classic Bismarckian type labour-based system of social insurance with a progressive ‘single pillar’ (De Zwager and Gressmann 2009). Accrual of pension rights is based on payment of contributions, and the level of the final pension benefit is determined by the level of salary/wage during the active insurance period, adjusted for annual accrual rates (Investopedia 2018). Contributions are paid into an autonomous extra budgetary fund and are mandatory for all employed persons. The existing pension system is based on traditional principles of social insurance: principle of legality; rights from pension insurance, conditions for acquiring those rights and quantification of those rights as defined by law; principle of intergenerational solidarity (reciprocity and solidarity) (Bartlett and Xhumari 2007; Bošnjak 2016; Huskić et al. 2009).

The pension system in Bosnia and Herzegovina has two components: a public pension system (age pension and disability pension) and voluntary, private pension insurance (open voluntary pension funds with no limitations on membership and closed voluntary funds where membership is limited to specific groups, e.g. employees of specified employers). The risks covered by pension and disability insurance are: old age, disability, death and physical disability. Rights arising from these risks are: the right to an old-age pension, disability and family pension, as well as the right to an allowance for physical disability. Over 80% of older persons are pensioners; of these, about 10% receive wartime disability allowances and about 5% receive social welfare. As a condition for receiving an old-age pension, an insured person is entitled to an old-age pension when he or she attains 65 years of age and at least 15 years of

insurance, or at least 20 years of pensionable service, or when he/she attains 40 years of insurance service regardless of his/her age (Article 40 of the Law on Pension and Disability Insurance 2018). Pension insurance is mandatory for: a person employed on a labour contract, a self-employed person, clerics and farmers. A person who does not pay compulsory insurance may pay voluntary insurance under certain conditions, as provided for by the law. An insured person has the right to financial compensation in the case of physical damage caused by injury at work or occupational diseases or if they need care. A person not involved in the compulsory insurance system can pay voluntary insurance (there is no legal obligation to do so) under certain conditions. Voluntary pension funds fall into Pillar III of pension insurance, a voluntary component of the pension system (Bošnjak 2016; Pijalović et al. 2018).

The high spending on pensions is partly the result of many people receiving disability pensions at pre-retirement age. Many working-age people receive pensions, but 39% of older people may not be collecting any state pension (Agency for Statistics of Bosnia and Herzegovina 2017).

Pension Reforms in Bosnia and Herzegovina

Pension reforms in the Federation of Bosnia and Herzegovina (one entity in Bosnia and Herzegovina), have been only minimal, although broader reforms have been considered necessary. New legislation on Pension Insurance in the Federation of Bosnia and Herzegovina was enacted in March 2018. Even though this legislation addresses the long-term fiscal sustainability problems in the pension system, the PAYG system still prevails. The defined benefit system of the past is being replaced by the introduction of a defined contributions system. Requirements for receiving an early old-age pension will be significantly stricter than before. The requirement for early retirement in 2018 for men was 35.5 years of paid pension insurance and 60.5 years of age, while for women it was 30.5 years of pension insurance and 55.5 years of age. This limit will increase for both men and women every year by half a year of age and half a year of paid pension insurance before reaching the 40-year limit of paid pension insurance. A more rigorous set of benefit reductions has been introduced, which act as a disincentive to early retirement (4% annual reduction compared to prior 0.5% reduction for each year below age 65) (Law on Pension and Disability Insurance 2019). In the first months after the adoption of the new law, 39% of the elderly population (65 years of age and older) may not be collecting any increase in state pension. Legislation created an increase that applied to 54,785 pensioners whose pensions increased by 10%, and another 53,454 who received an increase of 5%. Another outcome of the reform was that the deficit of the pension insurance fund was reduced and now stands at approximately 526,631 million euro (Pijalović et al. 2018).

In the Republika Srpska (RS) (one of two entities in Bosnia and Herzegovina), the right to a retirement pension can be reached at 65 years of age (if she or he has been paying insurance contributions for at least 15 years). An insured person who

has not reached the age of 65 but who has 40 years of work experience and insurance contributions can retire at the age of 60. Women may retire earlier than men; at age 58 if they have paid 35 years' pension insurance. A widow is entitled to a family pension if, when her husband dies, she is over the age of 50 or over 45 and incapable of working (Bošnjak 2016).

The situation in pension funds is very similar in both entities of Bosnia and Herzegovina. For example, approximately 58% of all funds available in the Federation of Bosnia and Herzegovina are for old-age pensions, 16% for disability and 25% for family pensions. The share of old-age pensions has been increasing in both entities. The average size of pension benefits in both entities is very low. Average pensions in the Federation of Bosnia and Herzegovina and RS in December 2016 amounted to approximately 189 and 175 euro per month, respectively. From 2010 to 2016, the average values of pensions have been mostly stagnant while the number of pension beneficiaries has been increasing (Pijalović et al. 2018).

Fifty four percent (346,682,171 persons) of the population over age 65 have no pension at all, since a large part of the working age population has never paid any contributions (Kepeš 2012). In 2006, the average monthly pension for those receiving it (including old-age, disability and survivors' pensions) was 126 euro per month. The amount of average pension is almost the same between the Federation of Bosnia and Herzegovina and RS. In relative terms, the average pension is 31.6% of the average gross wage. However, in view of the pension formula and the fact that the average total number of insurance contributions is 33 years, the replacement rates documented above suggest that there are certain pensioners who have had short periods of contributions but who have managed to be eligible for pensions (Huskić et al. 2009).

Employment Policies to Extend Working Life

Older people in Bosnia and Herzegovina face a high risk of poverty due to the lack of policies protecting their rights, with more than half of those over the age of 65 excluded from the pension system because they have never paid pension contributions. Older people who are excluded from the pension system live in poverty, often receive social financial assistance and eat in public kitchens. Women are poorer compared to men. About 58% of women have an average monthly pension of 60 euro compared to 49.5% of men (Huskić et al. 2009). There are no anti-age discrimination policies or anti-gender discrimination policies. There is a notable lack of both qualitative and quantitative research on extending working life (Schwab et al. 2017).

Health Policy in Bosnia and Herzegovina

Given that older people are more prone to diseases and are the most frequent users of health care services, this affects both quality of life and life expectancy (WHO 2016). Health insurance in the Federation of Bosnia and Herzegovina covers only older people who receive pensions (people who do not have pensions are excluded from health insurance). The increase in the proportion of persons aged 65 years and above in the total population affects the dependency ratio, which is high at 48%. This high dependency ratio contributes to increased health protection costs, which significantly increase as people age (World Bank 2017).

Persons with disabilities in Bosnia and Herzegovina find themselves in an extremely difficult situation, facing discrimination because they live in Bosnia and Herzegovina and not in other European countries where protections for disabled persons are more widespread. Authorities and the private sector do not implement affirmative measures related to the employment and rehabilitation of their workers (OSCE 2012). The most common forms of violation of the rights of people with disabilities in Bosnia and Herzegovina are in the areas of social protection, health, education, rights of access to information and employment. Even where laws exist to regulate this area, there is evidence of discrimination in practice (OSCE 2012). In Bosnia and Herzegovina, more women than men have some form of disability (Agency for Statistics of Bosnia and Herzegovina 2017). Women with disabilities face multiple types of discrimination; they are socially excluded and have poor access to all services (Fransioli 2013).

Debate on Extended Working Life

Decisions about whether to retire or to extend working life are beset with multiple uncertainties. This is exacerbated by a general lack of seeking active and purposeful information in relation to retirement, pensions and extending working life, and a lack of policy attention or initiatives associated with extended work. Engagement with these issues can be characterised as a passive process of acquiring information in an ad hoc manner from different sources, including the mass media, but with scant attention from the state. In April 2018, in the news (Balkans Aljazeera 2018), a comment on the retirement age of 67 years and extended working life was published, which pointed out that as soon as workers retire they depart directly to the cemetery. The government seems unaware of the health and continued employment problems associated with unhealthy workplaces. All stakeholders are focused on whether pensioners can live on their pensions and not on other measures related to extending working life.

Policy Recommendations

In Bosnia and Herzegovina, a coherent strategy to integrate older workers in the labour market must be developed. Since many industrial workers and workers engaged in physically demanding jobs begin work at an early age, it is equitable to allow such people to retire earlier, perhaps conditioned on the number of years worked rather than linking pensions to chronological age. Incentives should be created for older employees to work longer. The issue of unsafe and unhealthy workplaces and their implication for ill-health and disability among workers, and the consequences for pensions, need to be addressed at a government level. There is a need for high quality data collection and further research on the gender and health implications of precarious employment to ensure healthy ageing, flexible employment policies and lifelong learning policies for all Bosnia and Herzegovina employees.

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