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THE IMPACT OF GLOBAL CRISIS ON UNEMPLOYMENT IN BIH

LSEE

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OVERVIEW

- ▶ Introduction

1. Unemployment Measuring
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3. Unemployment Projections



Introduction

- ▶ Lack of high quality statistics makes it difficult to discuss the question in a definite way
- ▶ Economic policies have not even tried to prevent a prolonged crisis and unemployment increase
- ▶ Unemployment is leading to
 - social fragmentation,
 - political desintegration and
 - strengteneing ethno–rightest movemenent.



1. Measuring Unemployment

- ▶ LFS measures workers
 - ▶ The first LFS conducted in 2006
 - ▶ LFS is expected to be a more reliable source for unemployment statistics than ES (eg. the self-employed are not counted in the ES measurement at all)
 - ▶ As a self-reported survey, the LFS can lead to some reporting errors, since the survey respondents can differ over time and have different attitudes about their status
- ~~▶ Employment Survey (ES) measures employers~~
 - ~~▶ It asks employers to report on the number of workers they employ, their employees' hours and earnings~~

Labour Force Surveys

~~Employment Surveys
(payroll surveys)~~

1. Measuring Unemployment

- ▶ The unemployment rate is measured by the annual Labor Force Survey
 - Conducted in May
 - Realised in November






1. Measuring Unemployment

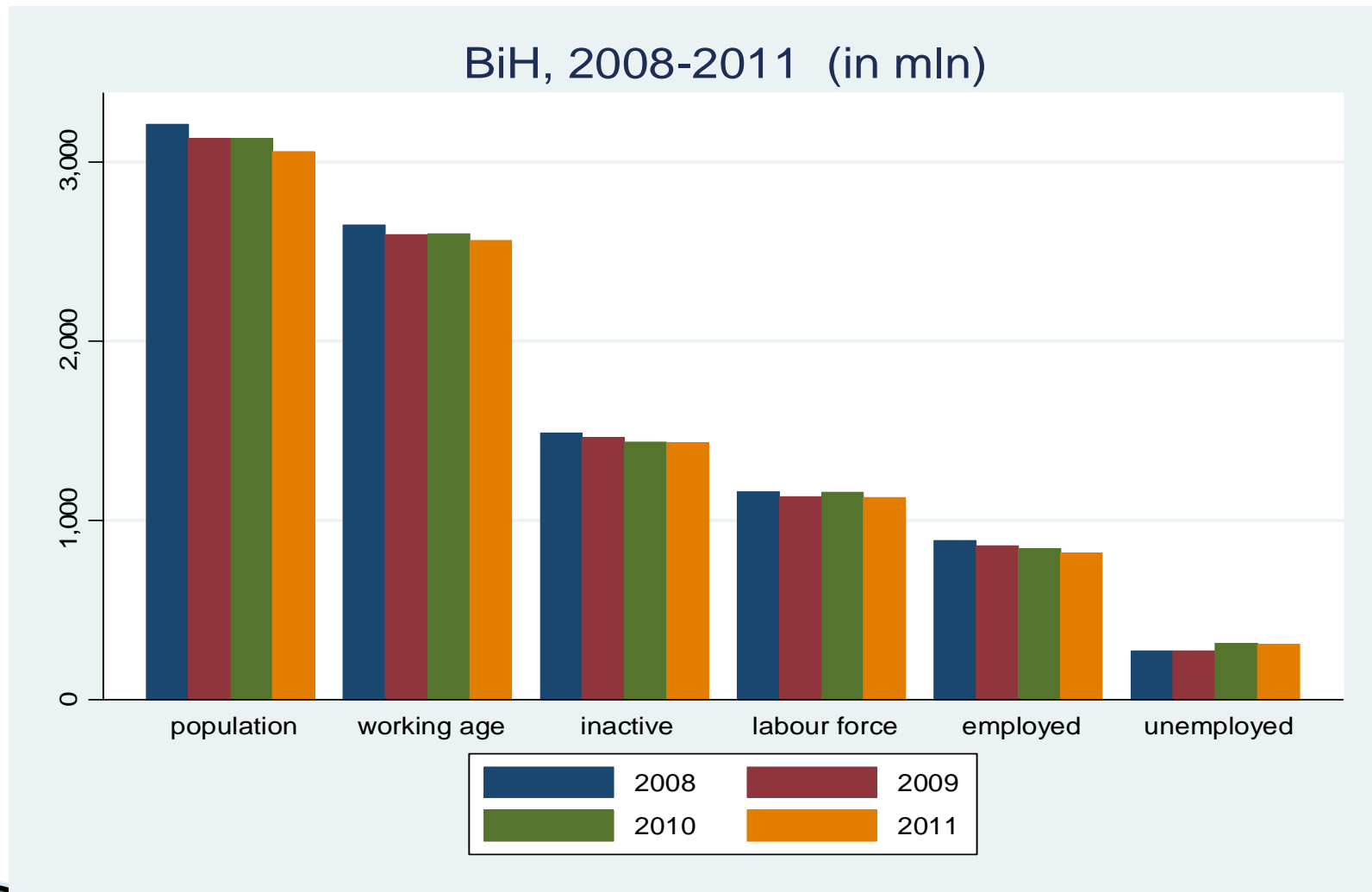
- ▶ LFS understates unemployment
- ▶ It exclude the discouraged (no longer actively seeking job because they have no hope for employment)
- ▶ There is the danger that more people will leave the labour market entirely
- ▶ Worker discouragement is much higher among younger.



1. Measuring Unemployment

Period	Unemployment	Unemployment rates (in %)	Source	Comment
2001–2004		16 – 22(24)	Living Standards and Measurement Study (LSMS); World Bank; EBRD	employment growth outstripped by labour force increases & privatisation
2006–2007		31.1 – 23.7	LFS	Robust GDP growth
2008–2011		24.1–27.6	LFS	Global crisis

1. Measuring Unemployment



2. Rise of Unemployment since 2008

- ▶ Prior to the crisis unemployment fell in 2008 for the first time in years
- ▶ the mass number of people in unemployment before the crisis hit BiH was already very high, even by the regional standards
- ▶ The 2008 crisis has only increased the numbers of the unemployed and the discouraged by destroying a wide number of formal jobs in a relatively small private sector and by **dissatisfaction in employment prospects**
- ▶ **The unemployment rate has grown for four years in a row**



2. Rise of Unemployment since 2008

- ▶ It stood at 27.6 per cent in 2011, one of the highest rates in transition countries
- ▶ World region with the highest unemployment: Kosovo, Macedonia and BiH



2. Rise of Unemployment since 2008

- ▶ The unemployment rate in the countries of Central and South-Eastern Europe (non European Union) and the Commonwealth of Independent States increased by 1.8 percentage points to 10.4 per cent—with unemployment rising by more than 3 million to reach 18.5 million – to register the highest regional rate in the world at the end of 2009 (International Labour Organization, 2011)



2. Rise of Unemployment since 2008

- ▶ the global crisis is not the major cause of rising unemployment
- ▶ increased unemployment is one of the phenomena that accompanies crisis and this also occurred in BiH
 - ...just making the things worse



2. Rise of Unemployment since 2008

- ▶ Since the DPA signed up the high unemployment has represented the country's greatest economic, social and political problem
- ▶ when compared to 2008(9) the number of unemployed increased by 14.2 %



2. Rise of Unemployment since 2008

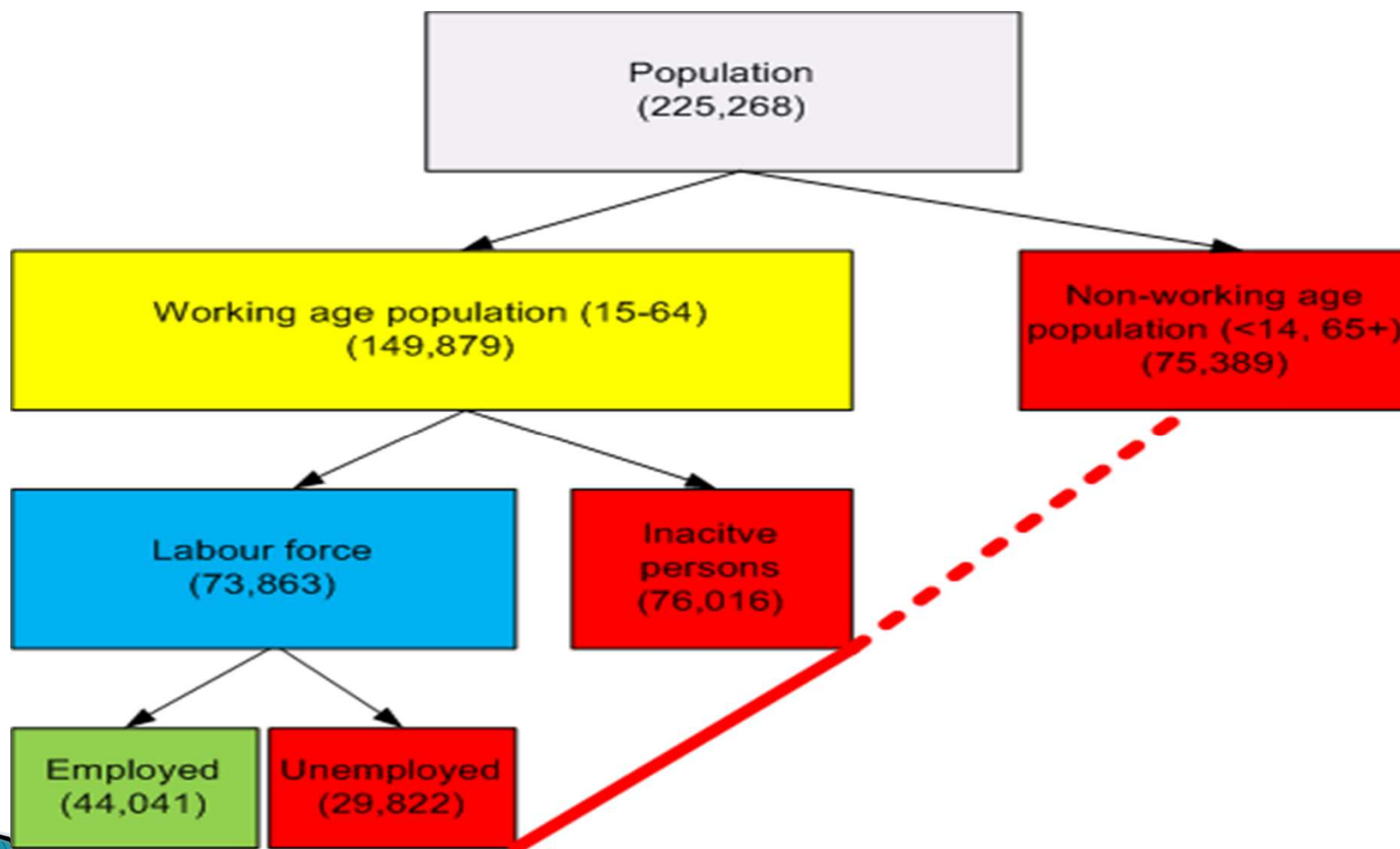
- ▶ The crisis is having substantial effect on living standards
 - more than 60 % of households in 2010 reported to have been seriously affected by the crisis (an ECA average of about 50 %)
 - there is knock-on effects in health, pension and disability insurance entirely dependent on the wages of employees
- ▶ The most recent available poverty data is the 2007 Household Budget Survey
- ▶ the first findings of a new HBS are expected in June 2012



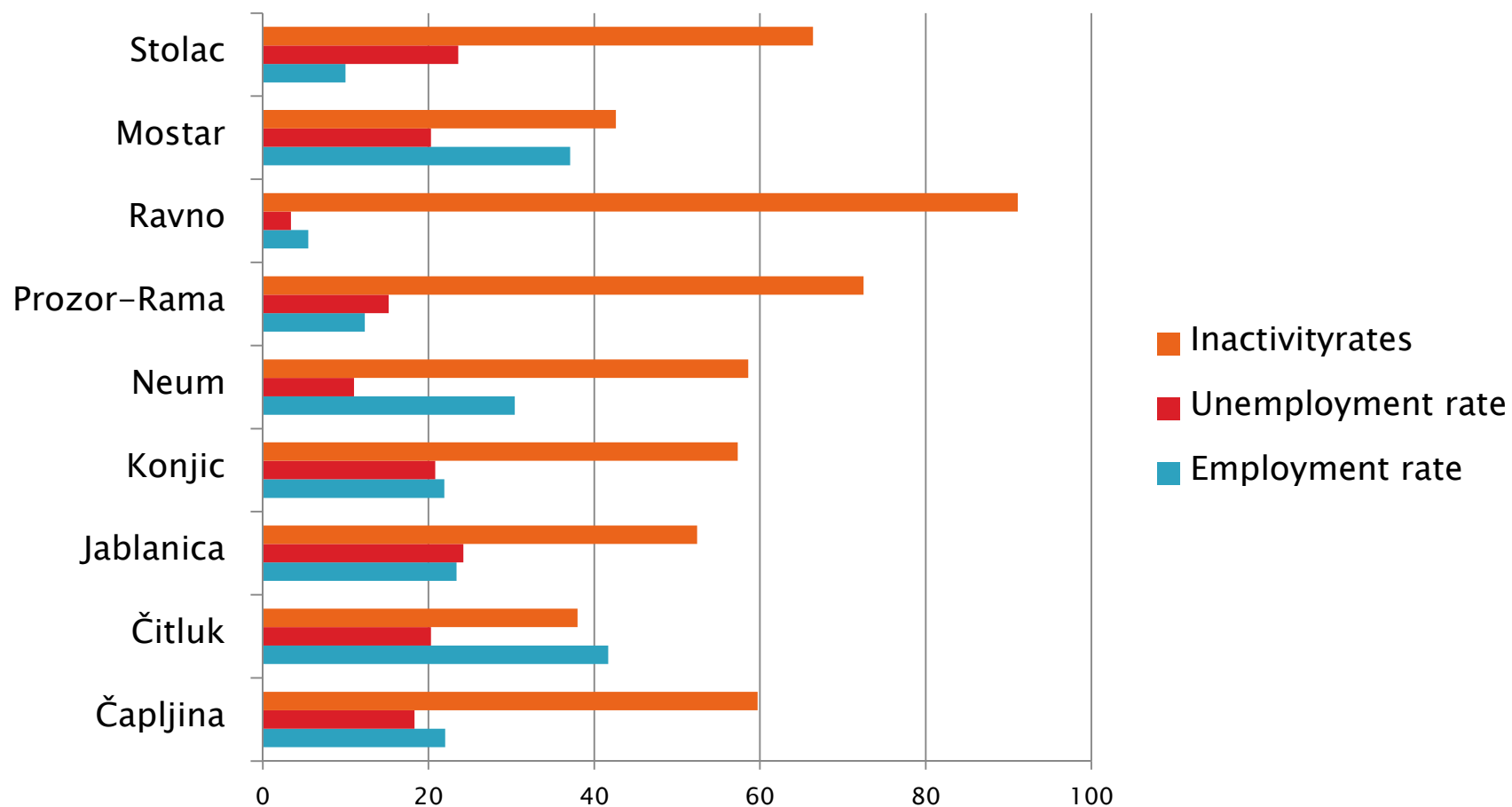
2. Rise of Unemployment since 2008

employment	9/2008	9/2011	%
Total	706,023	693,359	-1.8
Manufacturing	147,403	135,085	-8.3
Trade	133,151	124,194	-6.7
Public administration	68,147	72,148	5.9
Education	54,206	60,080	10.8
Transport, storage, communications	44,883	49,512	10.3
Health	44,740	48,016	7.3
Construction	43,435	37,623	-13.3
Hotels, restaurants	33,127	28,156	-15.0

Hercegovina-Neretva Canton, 2010

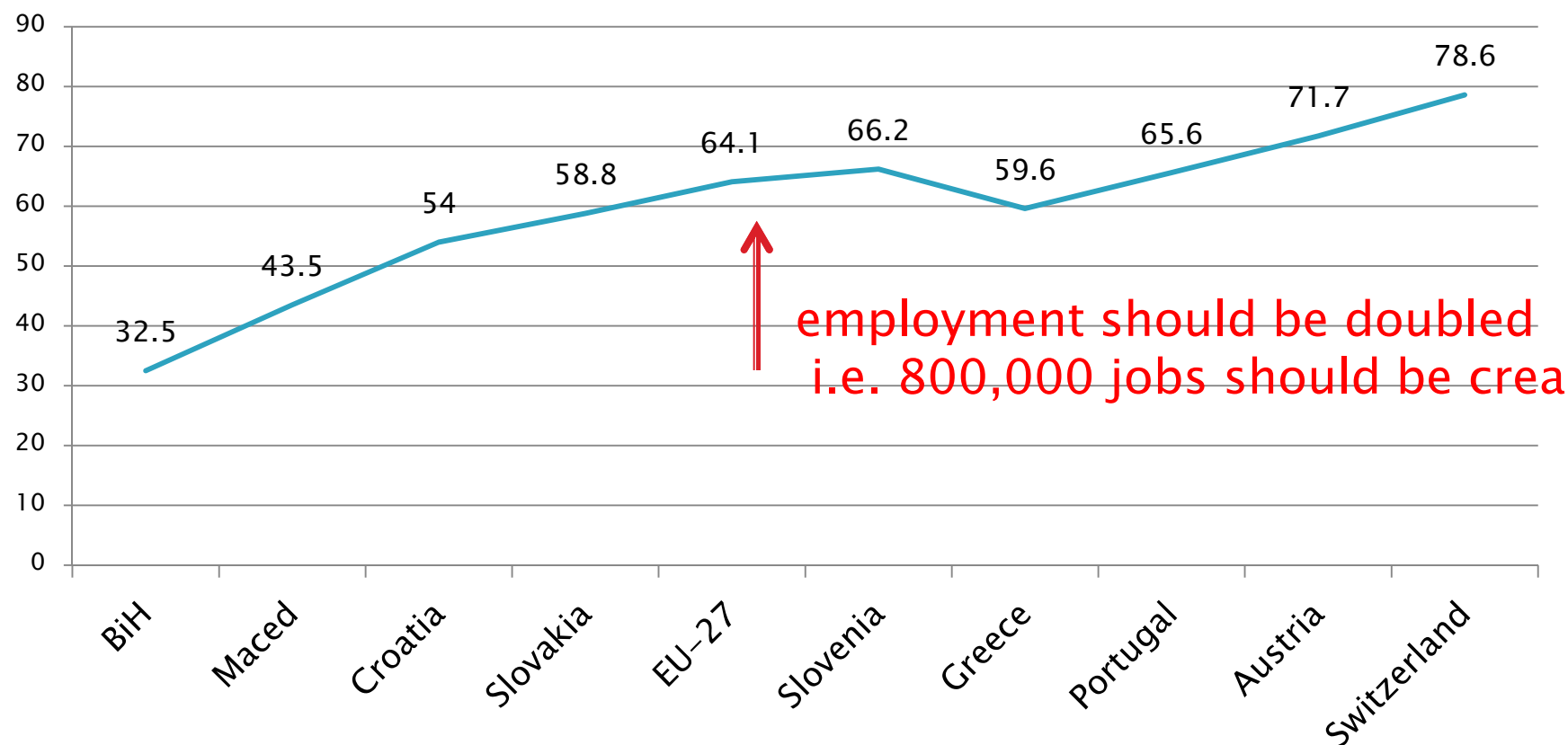


Hercegovina–Neretva Canton, 2010



3. Projections

Employment rates



3. Projections

		2011	2012	2013	2014	2015
World Bank's projections						
Real GDP growth (%)		2.2	4.0	4.3	4.5	4.5
Unemployment rate (%)		27.0	26.0	26.0	25.0	25.0
Our projections						
Real GDP growth (%)		1.2	0			
Unemployment rate (%)		27.6	28.5			

3. Projections

- ▶ Unemployment is not expected to return to pre-crisis levels but to increase
- ▶ Without embarking on deep reforms, the prospects for a recovery of employment look gloom

