

# Bosnia and Herzegovina: COVID-19 measures may not be enough to preserve jobs and guarantee their quality

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*Bosnia and Herzegovina's two entities – the Federation of BiH and Republika Srpska – have adopted various measures in response to the reduced economic activity resulting from the COVID-19 lockdown. These measures may not be sufficient to preserve jobs and guarantee decent working conditions.*



## Description

The two entities of Bosnia and Herzegovina (BiH) – the Federation of BiH (FBiH) and Republika Srpska (RS) – have adopted a number of measures to stabilise the economy following reduced economic activity resulting from the COVID-19 lockdown; some specifically aim at preventing job losses. Between February and May 2020, the number of registered unemployed in BiH rose by 4.6% and the number of employed persons fell by 2.8% (Labour and Employment Agency BiH, 2020; Agency for Statistics of BiH, 2020a, 2020b).

The FBiH Parliament adopted the Law on "Mitigating negative economic consequences", colloquially called the "Corona law", at the beginning of May. The entity is to subsidise social security contributions (SSCs) for each employee to the tune of 244.85 KM (€125), starting with April salaries until a month after the end of the "state of disaster", declared mid-March and lifted at the end of May. This applies to companies or entrepreneurs which, in a given month, had a fall in turnover of at least 20% compared with the same month in 2019.

In mid-May, the FBiH Government adopted a proposal for a law amending the entity's Labour Law whose provisions would apply in periods of a declared "state of disaster" or "state of emergency". The law would make it possible for an employer to temporarily terminate an employee's obligation to work for up to 90 days, if the employer is prohibited from working or if their revenue has fallen by at least 20% compared to the same period in the previous year. In such cases, workers would receive a salary at least equal to the

lowest salary in FBiH (406 KM or €208). Employers with a fall in revenue of at least 20% may also reduce a worker's salary, but not below the lowest salary in FBiH. Employers would be able to adjust working hours, reducing a worker's salary by up to 35%, but not below the lowest salary. The employer can also require workers to take the remainder of their holiday entitlement. Changes also include allowing telework, even for employees whose contract does not include working from home, specifying the duration of paid or unpaid leave, and giving employers the possibility to ask workers to take paid leave. In June, the government adopted a proposal for a law amending the FBiH Law on works' councils, whereby, during a state of disaster or emergency, employers would not have to respect the 30-day period for consultation with works' councils on decisions affecting workers' rights and interests, while the councils' deadline for giving an opinion on decisions would be cut from 7 to 5 days. The proposed amendments to the Labour Law and the Law on works' councils were adopted as draft laws by the FBiH Parliament's House of Representatives in late July, and will be subject to public consultations.

The RS government has also adopted measures to prevent job losses, including paying SSCs and taxes on salaries for March for companies and entrepreneurs that were prohibited from working due to lockdown. For April, employees of companies and entrepreneurs whose operations were prohibited or stopped because they were indirectly affected by the virus (e.g. loss of market, lack of raw materials for production, lack of workforce) would be entitled to receive the lowest salary (520 KM or €266) with SSCs, while those companies and entrepreneurs that either partially halted or had reduced

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operations due to the pandemic could apply for support - a subsidy corresponding to the lowest salary with SSCs and taxes - for each worker affected. For May, companies and entrepreneurs prohibited from working by 11 May are to have SSCs and taxes covered on salaries paid; for those not allowed to work after this date, their employees are to be paid the lowest salary with SSCs.

Lower levels of government have adopted their own measures. For instance, FBiH's Zenica Dobož Canton decided to co-finance 50% of the minimum net salary for March, and the full minimum salary for April, of employees in companies and entrepreneurs banned from operating by an order of the relevant civil protection authority. Brčko District, an administrative local self-government unit under the sovereignty of BiH, decided to provide support to companies and entrepreneurs as follows: i) for those prohibited or prevented from working in March, a subsidy corresponding to the minimum gross salary (520 KM or €266 net plus SSCs and taxes) per employee; ii) for the others, a subsidy of 30% of the SSCs and taxes paid on salaries for March. By a law adopted in May, companies and entrepreneurs directly affected by the pandemic are entitled to subsidies of a share of the gross salary and employer's SSCs, up to 860 KM (€440), from the District budget, from April until a month after the operating ban is lifted, while other affected companies and entrepreneurs may receive subsidies of at least 30% of the taxes and SSCs paid on salaries.

One of the conditions set by most governments, in order for businesses to receive subsidies, is that they must not have fired any workers (or only a limited proportion of workers) during lockdown.

## Outlook and commentary

Lockdown measures were lifted in May 2020, but their economic effects are expected to last, and, in 2020 (or early 2021), to include a further rise in unemployment. While the number

of persons employed is lower in the RS than in FBiH, the greater number of job losses in FBiH is attributed to the government's belated response, as the "Corona law" was only passed in May. The RS government reacted more swiftly, and in formulating decisions to mitigate the crisis accepted a number of trade union proposals (Huseinović, 2020).

In FBiH, the crisis brought to light the weakness of social dialogue. While neither the Confederation of Independent Trade Unions of BiH (SSSBIH) nor the FBiH Employers' Association have assessed the "Corona law" as sufficient, they disagree sharply on the proposed changes to the Labour Law. These changes have received support from the Employers' Association, but SSSBIH called the government's formulation of the law "non-transparent" (SSSBIH, 2020). Representatives of some branch trade unions had participated in consultations with the government and employers as part of the FBiH Socio-economic council (SEC), but not the umbrella organisation.

According to SSSBIH, the changes to the Labour Law benefit employers. The organisation criticised the power given to employers to unilaterally reduce a worker's salary, the possibility of paid leave without set compensation and unpaid leave if "voluntarily" requested by the worker, the possibility of requiring workers to take holiday, as well as temporary interruption of work. While proposed changes to the law state that employers should consult with trade unions or works' councils on some decisions (e.g. on reducing working hours or requiring workers to take holiday), SSSBIH has pointed out that employers are not required to accept the opinions given in this way. SSSBIH announced "more radical activity" to prevent the changes from being adopted, and said that it might take the law to the Constitutional Court of FBiH if adopted (SSSBIH, 2020).

As private sector workers' de facto rights are generally poorly protected in both entities, and precarious working conditions prevail, the current crisis may further exacerbate

their position. As well as temporarily terminating workers' obligation to work, some employers have been recorded during lockdown as placing pressure on workers to accept a "mutually agreed" termination of work, by which they lose their rights, including their claim to unemployment benefits (Huseinović, 2020; Sokol, 2020). While some of the measures adopted may mitigate the pandemic's immediate effects, the protection of workers' rights and adequate working conditions are not being addressed in a substantive manner. The proposed changes to the FBiH Labour Law, in their current form, may even open the door to further abuses of workers' rights during times of crisis.

### Further reading

Agency for Statistics of BiH, "Persons in paid employment by activity, May 2020", First Release 5/2020, Sarajevo, 2020a.

Agency for Statistics of BiH, "Persons in paid employment by activity, February 2020", First Release 2/2020, Sarajevo, 2020b.

Confederation of Independent Trade Unions of BiH (SSSBIH), "Zaključci sa Vanredne sjednice Predsjedništva UO SSSBIH u vezi sa Izmjenama i dopunama Zakona o radu FBiH", 15 May 2020.

Huseinović, Samir, "Radnici u BiH bez posla i prava, zbog korona virusa", Deutsche Welle, 20 April 2020.

Labour and Employment Agency of Bosnia and Herzegovina, "Labour market overview, situation as of 31 May 2020", 7 July 2020.

Sokol, Anida, "Padaju prihodi, raste broj otkaza", Media.ba, 15 April 2020.

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