

# The Demands of the Labour Market in Bosnia and Herzegovina and new trends in Immigration

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*Abstract:* This paper explores the increasing need for imported labour in Bosnia and Herzegovina, driven by a prolonged shortage of local workforce, due to decades of labour emigration. It addresses statistical inconsistencies in unemployment rates, the process of hiring foreigners, and major migration trends in BiH. Immigration trends are analysed through two key factors: temporary residence permits and work permits. The paper highlights that the current system is unprepared for a significant influx of foreign workers and highlights several issues affecting the BiH labour market, including emigration, skills mismatch, unemployment, and unreliable unemployment data. The findings emphasize the importance of addressing these issues to stabilize and enhance the efficiency and sustainability of the labour market.

*Keywords:* immigration; employment; foreign workers; labour market

## Introduction

In the last few decades, labour migration, as a global phenomenon, has successfully captured the attention of not only economically prosperous countries looking to further build their market portfolio, but also of countries whose markets are in the process of stagnation or slow development and growth. Labour migration, comprised of both emigration and immigration as mutually intertwined and consequential movements, is at the centre of the attention of economic and social science scholars, and is now also a major issue for governments (Scholten, 2022). Such significant movements of people, especially within the European Union due to the lack of working permit restrictions within it, have not only been noticed and studied in the past three decades, but they have also

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started to be monitored and in a lot of cases encouraged (Stahl, 1995). The link between immigration and emigration is oftentimes defined as a consequential one, as due to the balance of work-force power (or lack thereof), countries often experience an abundance of one and a scarcity of the other migration phenomenon, in the overall immigration market (ibid).

Starting from the 1980s, emigration began climbing to a peak in Europe, due to the development of individual and country-contextual factors, like; the rising free market capitalist economy (especially in the former Eastern Bloc); armed conflicts, political movements, profound social changes, etc., for the purposes of seeking change (Bodvarsson, Simpson, & Sparber, 2015). It should be mentioned that there were, and still are, different types of migration taking place that should be distinguished, like the difference between political refugees and economic migrants; planned and flight migration; legal and illegal migration in any form; temporary and permanent movement, and settler and labour migration (Scholten, 2022). This paper's scope will not go beyond labour migration. The broad mention of economic migration is provided contextually however, as well as permanent and temporary migration.

As emigration, for any reason, especially labour, was increasing and contributing to the international labour market demands and the host countries, it was also simultaneously and consequently creating an ever-growing labour force gap in the sending countries. This indicated that a sharp turn in local policies to combat the consequences of labour emigration in sending countries was needed. The sending countries started to face a scarcity in their own supply of labour (Stahl, 1995). Although sending countries may experience benefits such as money being sent back in the form of remittances, the drawbacks have become more significant, with more and more people leaving in search of economic prosperity. Countries that were first starting to implement strategies and mechanisms to prevent emigration have recently come to the realisation that economic (labour) emigration is an inevitable part of the new tide of globalisation, and must, therefore, shift their focus from prevention to remedying this labour imbalance, and focusing on the immigration market (Wilson, 1994).

The balance between the supply and demand of labour and skills is always being upset, as many countries experience more supply than demand, or vice versa. This is an ever-shifting seesaw that is constantly

shaken by global market trends. Countries that were yesterday supplying, will tomorrow become affected by over-supply and become the countries in demand. This is why it is often said that immigration and emigration are mutually consequential phenomena (ILO, 2015). The seesaw of supply and demand is in constant motion, action, and reaction, and every state can be affected by both phenomena. Achieving a balance of supply and demand in the labour force that abides fully and appropriately to the global market trends is as difficult as it is to perfectly balance a seesaw. Difficult, but not unachievable.

Although many, if not most, world and European countries are far from achieving a perfect balance, there are efforts. These efforts came from either early detection and prevention of the imbalance, or contrastingly, neglect, leading to the implementation of measure to combat the consequences of the disbalance. In many European countries, immigration is higher than emigration, and this creates a separate type of local issue, however, for the purposes of this paper, we will focus on the cases where the imbalance comes from emigration being higher than immigration, causing sending countries to become receiving countries, with our emphasis being placed on the region of Southeast Europe, specifically, Bosnia and Herzegovina.

Bosnia and Herzegovina (BiH) is referred to as one of the most institutionally intricate systems of democratic government and administration in Europe, with an addition of an outdated socioeconomic and retirement system (Lapatinas, 2014) (Menocal, n.d.). Due to its severely complicated political system<sup>2</sup>, layered internal divisions, tripartite presidency, as well as internal national and ethnic divisions that happen to overlap and coexist with the existing religious divisions, the country is difficult to understand. Established by the Dayton Peace Accords of 1995, which ended the war, BiH's new constitutional order was created to establish a balance between the country's three ethnic groups. It divided the country along ethnic lines, creating two entities, a district, nine ministries, three presidents, four administrative levels and a veto mechanism for the

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2 Referring to the several levels of governance: Parliamentary Assembly of BiH (divided into the House of representatives and the House of Peoples); Presidency of BiH (tripartite); Council of Ministers of BiH; Constitutional Court of BiH (Court of BiH, Court Police of BiH, Prosecutor's Office of BiH, High Judicial Prosecutorial Council of BiH); Ministries and administrative organizations within the Ministries (9 ministries then separately created each ministry per canton in the FBiH and in the RS); followed by separate bodies on the entity level. Schematic overview of levels of government in Bosnia and Herzegovina is available at <https://bih-parliamentary-twinning.eu/>.

three ethnic groups, recognised as the three constituent peoples, (Turp, 2019); (Barton, 2019); (Clinton, 1995).

BiH's economy is considered to be a transitional, mixed economy, that combines both the elements of market-oriented principles and state intervention. The latter is considered to be a remnant of the pre-war Yugoslav socialist economic regime. Since end of the socialist era, BiH is said to be transitioning into a fully market-oriented economy, with gradual success and exponential private sector growth (World Bank, n.d.). The support of state institutions (or lack thereof), in enabling progressive administrative and logistical paths for this transition process has managed to further exacerbate problems already extant and slows down any significant efforts in overall economic growth and development. This entails a combination of factors, ranging from obsolete administration, all the way to the stagnant living standards.

Moreover, the complex bureaucratic, institutional, and ethnonational layers and currents have not provided ideal grounds for prosperous economic development and attracting foreign direct investment. This is reflected in BiH's slow and unostentatious economic growth of 4.2% (Central Bank BiH), and a registered unemployment rate of 29.54% (BHAS, 2023) or 14.3% unemployment rate according to LFS (ibid). The last recorded GDP measurement (on the country level) was taken in December 2021, and it was 5862.46 USD (ibid). Additionally, a significant year-on-year drop in industrial production of 1.2% was noted in November 2022, marking three consecutive months of regressions, as well as a decrease of 0.90% in manufacturing production in comparison with October of the previous year (ibid).

This data reflects the extent of the contemporary political and economic trends and issues, beyond BiH's intricate and internally intertwined arrangements. The complexity of the bureaucratic system is visible in its impacts on the labour market. All these components, and many other political factors that are beyond the scope of this paper, can be seen as a consequence of a system that is trying to catch up with the rapidly changing trends in the labour market. In addition, labour market changes and challenges are also a reflection of the lack of successful efforts to prevent and combat economic immigration from BiH. Even though emigration has been a "hot topic" for (roughly) the past two decades, the data presented in this paper shows that more efficient strategies were necessary to keep the

balance of migration trends. Unfortunately, at this point, it appears that time has caught up with the delayed plans to combat emigration. The time has come to speak about combatting the consequences of failed actions (Čičić, et al., 2019).

This paper aims to present the main labour market trends, emphasising the evident and exponential shifts in immigration, as the new trend of migration in BiH, specifically focusing on 2013-2023, while outlining potentially harmful factors that may impact on a more successful process of employing much-needed migrant workers in BiH. The author engages theoretical and statistical sources to talk about the popular trends of migration in BiH, ranging from emigration to language disparity issues, as well as uncovering and synthesising the status of the newest trend of labour migration in BiH, labour immigration. It finally concludes with some ideas on how to tackle these problems.

### **Theoretical Framework**

The concept of the immigration market is, according to neo-classical economist approaches, defined as a market of various migrant wealth maximisers who enter it and are selected positively or negatively based on their specific skills and education in order to determine their potential benefit yield for host countries (Borjas, *International Differences in the Labor Market Performance of Immigrants*, 1988). The difference between positive and negative selection is that negative selection means that low-income earners migrate and become low-income earners in the receiving countries. In contrast, positive selection means that high-income earners migrate to become even higher-income earners in the receiving countries. In the cases where a country is combating emigration, they will seek to turn to immigration and import what they are lacking. In this sense, selection will be conducted based on whether the country requires a low-income, or high-income workforce, (Borjas, 1989).

Furthermore, the literature suggests that there exists an excess supply of labour migrants in less developed countries, indicating that whenever there is a gap in a particular part of the job market that cannot be filled internally in a developed country (regardless of the particular level of development), it will be filled by this abundance of labour migrants from a less developed country (Stahl, 1995). The notions of more and less

developed countries are relative. For instance, in the case of the European Union, Portugal is considered to be less developed than Germany, but Germany is also considered to be less developed than Norway, and so on. The same line can be drawn for countries outside the European Union, such as the Southeast European non-EU countries that tend to gravitate towards the EU in terms of migration. Croatia as an EU member state is deemed as more developed than Montenegro, a non-member state, however, Croatia is seen as less developed than Slovenia, etc (Georgiana & Andrei, 2024 ). This relative notion of development is applied simply by the wages and legislation towards migrant workers. It is also important to mention that the immigration market for Europe does not end in non-EU member states. It expands to other areas of the world where states that are less developed in comparison to the host country are included. Migrants from the sending state outside of Europe consider a variety of push and pull factors when considering entering the immigration market (European Commission, 2023).

The push-pull theory of migration can be applied to labour migration as well. The theory suggests that migrants choose to enter the immigration market due to diverse types of motives, push or pull motives. Push motives are initiated by the sending country, and these can range from poor economic conditions to the lack of social development, the underdeveloped job markets for particular skills, political circumstances, etc. On the other hand, pull factors are initiated by the receiving/host countries whereby they wish to attract workers from other countries that could fulfil their needs and fill in the gaps they have in their labour/skill market (Kumar & Sidhu, 2005).

Pull factors occur primarily when the host countries are trying to combat the consequences of emigration from their own country, so they aim is to become a host country rather than a sending country, which they were previously. Thus, they seek to establish an attractive labour market with decent entry conditions in order to attract. For push-migration, it is more difficult to enter the immigration market, as the countries they wish to enter may not be involved in pulling in a particular workforce (Kumar & Sidhu, 2005). These migration flows are oftentimes restricted by migration/entry policies of the host countries and can further harm both the host and the sending countries. Nonetheless, migration will persist, and the literature highlights two particular approaches to migration that

concern the migrants entering the immigration market- the micro and the macro approaches.

The micro approach focuses primarily on the migrating individual (individual theory of migration) who tries to take advantage of better earning opportunities, consequently setting in motion a flow of labour (emigration seeking immigration) in different labour markets (Lauby & Stark, 1988). In contrast, the macro approach focuses on the New Economics of Migration, whereby the individual-centric approach is altered and complemented with the household or family. This approach outlines that the decision to migrate is not only dictated by the needs and wants of the individual, but rather it is formed by the family or household, as the migration has direct consequences on the entire household, such as the maximisation of income (Stark & Bloom, 1985). Understanding the underlying structural reasons for migration is vital for understanding migration as a whole process that goes beyond simply moving in and out of job markets. The *whys* of migration become the *hows* of strategies for attracting migrants to host markets, especially if the host countries are desperate to fill the demand in the labour market of host countries.

### **Labour Market Trends**

According to the International Labour Organisation, the BiH labour market is seen as one of the most challenging in Southeast Europe, with constant shifts between the net migration, poor unemployment data, emigration, and rising skills mismatch (ILO, 2023). The general growing disbalance between emigration and immigration, not only severely impacts economic growth and labour prosperity, but also significantly upsets data on the population size, density, and employment. Although the disbalance in economic migration has existed as an internal phenomenon, whereby the working population would move from one location to another that offers more prosperity and employment opportunities, the past two decades have seen strong external waves of economic migration (Stark & Bloom, *The New Economics of Labor Migration*, 1985). Both internal and external labour migration was primarily dictated by shifts in market trends, supply, demand, and the evolution/devolution of certain sectors. Be it the movement from rural to urban areas, or the movement from smaller to larger cities, or at the end from country of origin to a host country, one fact is certain. Labour migration as a response to insufficient



living and working conditions never stops. It simply develops based on the present conditions set by the labour market and its trends (Nagesha, 2023).

This chapter will present a brief analysis of the BiH labour market trends and their significance, through the factors of emigration, skills mismatch, unemployment, and issues with realistic data on unemployment.

### *Emigration*

BiH is regarded as a primarily emigration-oriented country. This is a direct outcome of the armed conflicts of the '90s, coupled with demographic shifts, exacerbated by a negative net migration balance in the post-war era (Čičić, et al., 2019). Starting from the early 1990s, the country has witnessed multiple instances of significant waves of emigration to both the European Union and other well-developed nations globally (ibid).

From the beginning of 2011, when BiH citizens who held biometric passports gained the ability to travel visa-free to Schengen Area countries, as well as Bulgaria, Romania, Cyprus, and Croatia, the patterns of outward migration have grown more pronounced. Nearly a quarter of a million individuals from BiH are believed to have participated in this migration trend in the last decade. The decisions to leave BiH are, according to UNFPA, primarily prompted by motivations to escape social and political uncertainties, prolonged periods of unemployment or underemployment, limited access to educational or job opportunities, and the absence of adequate policies, social services, and security initiatives tailored to the specific needs of the youth (Survey on Youth Emigration, UNFPA, 2021). There is a parallel here with the motivations for internal migration, as well. This indicates that the motivations remain similar while the destination shifts based on the offered conditions.

The repercussions of significant emigration on BiH's labour market remain relatively uncharted, with data on all labour sectors scarce, and it is evident that the working-age population is dwindling, coinciding with higher employment rates, lower unemployment figures, and escalating number of retirees, potentially leading to an unavoidable need to import working-age individuals (BiH Migration Profile, 2022) (BHAS, 2023). Moreover, when looking into the emigration statistics for BiH, the data is almost always inconclusive, as the sole source of this data can be tracked through the statistics of the BiH Agency for Identification Documents,



Records, and Data Exchange. The agency holds records of any individual whose residency was erased out of the system due to emigration to a different country. According to the records for the year 2022, a total of 3,210 individuals had their residency status in Bosnia and Herzegovina deregistered, implying their departure from the country (BiH Migration Profile, 2022). The host countries that have registered the most BiH citizens in 2022 are Germany with 834, Austria with 767, Croatia with 627, followed by Slovenia, Serbia, Montenegro, and the Netherlands with fewer numbers (ibid).

### *Skill Mismatch*

Yet another very prominent issue in the BiH labour market is the blatant skill mismatch caused by the rapidly ever-changing labour market that keeps demanding new skills and an education system that appears to be stagnant, in combination with the widening gap between the supply and demand of labour and skills, especially with the developments in information technology and the digitalisation of the manufacturing sector. Skill mismatch within BiH means that the competencies possessed by the existing workforce do not harmonize effectively with the competencies demanded by employers within the labour market (World Bank, 2023).

The interaction between the scarcity of available employment opportunities and the persistent pattern of outward migration imposes considerable demands on the existing social security infrastructure. Consequently, this intricate dynamic gives rise to a considerable hurdle, as it shapes the ability of the social security systems to maintain their operational effectiveness and sustainability over the course of the long term (Brown, Mason, Megan, & Ramón, 2018). This incongruity can manifest in several diverse ways, such as qualification disparity, skills discrepancy, geographical mismatch, and language and communication disparity. Each of these issues deepens the existing issues in the labour market in BiH.

### *Qualification Disparity*

This situation arises when individuals hold educational qualifications that do not align with those demanded for available job positions. For instance, individuals might possess qualifications that exceed the demands of a role, causing underemployment. Conversely, they might lack the requisite qualifications for the positions they are pursuing (Thern, et al.,

2022). In BiH, the disbalance in the supply and demand of specific skills and qualifications is constantly increasing, due to the unpreparedness of the educational system to provide sufficient, timely, and adequate educational orientations and room for the development of new sectors. This phenomenon is common in transitional economies, due to their focus on maintaining the existing jobs and markets, while either undermining or neglecting the new and rising ones (World Bank, 2023). One of the best examples here would be the disproportion between the number of university graduates (of a particular vocation), and the jobs available in the particular field (Study on Youth Employment in BiH, RCC, 2021).

### *Skills Discrepancy*

A skills gap emerges when there exists a distinction between the skills required by employers and the skills possessed by potential employees. This disparity can arise due to swiftly evolving job requisites and advancements in technology. This is also a common factor in the skill mismatch in BiH. It can be seen both because of the lack of professional training provided by employers for their employees, but also because of the lack of knowledge of contemporary topics and developments. This often leads to the need for requalification, or importing labour force, which seems to be the rising trend in the region, that is catching up with Bosnia and Herzegovina, as well (World Bank, 2023).

### *Geographical Mismatch*

Skill mismatch can extend to geographic considerations. Certain regions may have more job prospects within particular sectors, while the workforce in those regions may have been trained for different industries. This mismatch is often tied to rural and urban labour development and labour needs. With constantly increasing industrialisation and digitalisation of services, the rural-to-urban migration increases proportionally, leading to a deficit of rurally prominent jobs in the sectors of primarily agriculture and farming. This is referred to as internal migration, which is a familiar phenomenon (Kačapor-Džihic & Oruč, 2012) (European Commission, 2022). The issue starts to become problematic when the geographical mismatch is so strong that the urban areas within a country cannot fulfil the needs of incoming rural-based workers. This then turns internal migration

into external, thereby further shaking the balance of net migration in the country.

### *Language and Communication Disparity*

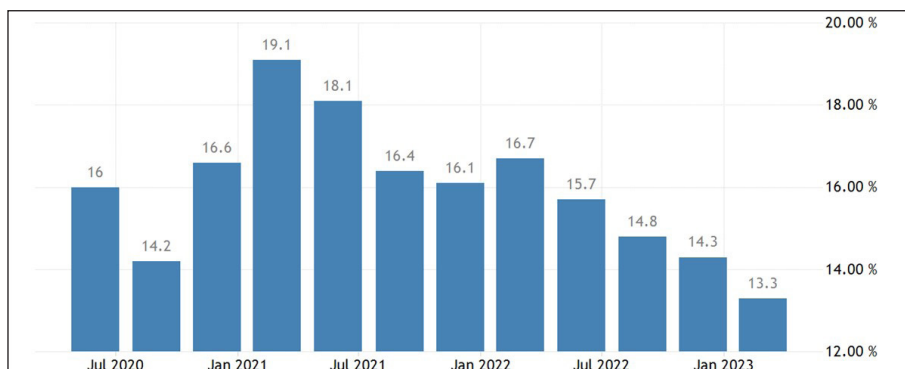
The significance of language skills has surged with globalization. Mismatches occur when the languages spoken by the workforce do not align with the linguistic requirements of the available jobs. The prime example would be that most modern-day jobs require the proficient use of English, Spanish, or German, and even though pupils in BiH primary schools have mandatory foreign language studies (primarily English as the first foreign language, and German, Arabic, Turkish, or French as the second one) to prepare them for the job market later on, the already-established workers might not possess this advantage. For the population that went to primary school until the late 90s, the only available foreign language studies were Russian and English, and Russian was the most popular (53% of schools taught Russian). This implies that the labour force today might not be linguistically equipped to be employed (Imamović & Džanić, n.d.). (European Commission, 2022).

The repercussions of skill mismatch have detrimental impacts on both individuals and the broader economy. It can result in unemployment, underemployment, and diminished productivity. Moreover, it poses challenges for businesses in their pursuit of recruiting the skilled personnel necessary for innovation and expansion.

### *Unemployment*

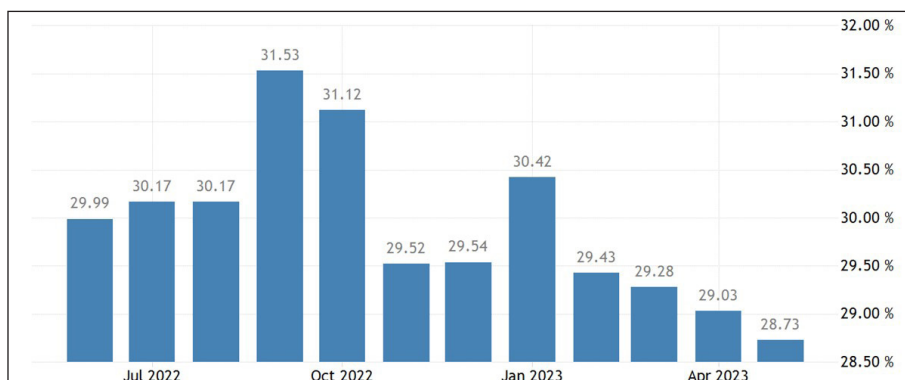
The employment rates have remained at a low level for decades, with only 40 per cent of individuals aged 15 to 64 being employed, as of 2022. Conversely, the unemployment rate remains high, reaching 15 per cent in the same year. Despite a recent decline in unemployment rates, youth between 15 and 24 still experience significant challenges, with an unemployment rate of 35 per cent in 2022. Moreover, there is a considerable proportion of youth who are not engaged in employment, education, or training (NEET), accounting for 19 per cent of the population (ILO, 2023). The graph below shows the unemployment rate in BiH over the course of the last two years.

Figure 1: Unemployment rate from July 2020 to January 2023 (source: BHAS, 2023)



It is evident that the unemployment rate saw a reduction to 13.3%, thereby representing the lowest unemployment rate since 2020. To complement this, the registered jobless rate in BiH has also declined in comparison with the previous year, as can be seen from the graph below (BHAS, 2023)

Figure 2: Registered Jobless Rate from July 2022 to April 2023 (source: BHAS, 2023)



While the most recent data may instill hope for a trend towards increase and prosperity, the reality is, unfortunately, that the data is incomplete.

### *Issues with realistic data on unemployment*

In the first quarter of 2023, BiH had a labour force comprising 1.355 million individuals. Among them, approximately 1.175 million (86.7%) were actively employed, while 180 thousand (13.3%) were without employment. While the count of employed individuals remained consistent compared to the previous quarter, there was a notable decrease of 7.7% in the number of unemployed. Concurrently, the number of individuals not engaged in the labour force in the country rose to 1.523 million, indicating a slight 0.4% rise in comparison to the preceding quarter (BHAS, 2023) (World Bank, 2023).

This underscores a substantial 7.7% reduction in unemployment as per statistical records, even though the employment landscape remained unaltered. This pattern highlights that the reduction in unemployment in the country is influenced to a lesser extent by significant economic advancement. Instead, it is more notably shaped by factors like emigration, statistical manipulations, black market presence, undeclared work, and the inexplicable exclusion of individuals from the unemployment dataset (European Commission, 2022).

As stated before, the only way to track emigration numbers is through the BiH Agency for Identification Documents, Records, and Data Exchange, the agency that can track those unregistered from the residence system. Similarly, there are a few specific ways in which unemployment is tracked in BiH (BiH Migration Profile, 2022). The most popular, and the most frequently used in BiH official statistics is through the Federal Employment Agency, and the RS Employment Agency for employment. These institutions are responsible for handling most of the employment processes that include social and health insurance benefits for each entity respectively. Their main functions include dispensing unemployment benefits, job placement, providing skill development and vocational training, making labour market policies, and providing employer services, labour market research and data collection. These institutions house the main databases of the number of unemployed people in the entities (Federal Employment Agency, n.d.). While this sounds like a legitimate solution for data collection, unfortunately, it's a bit more complex. The reality is, that due to the fact that when one is registered in the Agency, one receives health insurance benefits. This in practice means that people who have undeclared jobs or work on the black market, or even conduct

freelance business, can still be registered in order to receive health benefits, while technically being unemployed. This also includes people who move abroad to work and never deregister in order to be eligible for social benefits in the country (Hadžić, 2022). The prime examples are found in black market operations, such as the tobacco industry which has been given more attention in the past 2 years.

Additionally, people who conduct freelance business and pay monthly taxes are still not considered employed under the system. The organisation for freelancers in BiH notes that there are around 1.5 freelancers per 1000 residents currently working in the territory of BiH, yet they are not counted as employed people (Ivanković, 2021). Furthermore, undeclared work as a specific work-contract typology, is also a present issue in tracking the statistics correctly. A lot of employers re-employ individuals every few months on the basis of short-term contract (*ugovor o djelu*), which does not allow the individual to be registered as unemployed, as these sorts of contracts count as either part-time or pay-per-task contracts. However, the reality is that numerous employers in the private sector tend to hire individuals full-time on these contracts and renew them every few months (fokus.ba, 2023). These are only a few examples of how difficult it is to get access to legitimate and representative data on unemployment in BiH. Furthermore, there is no country-level register. The data is gathered through the two entity agencies and compiled in order to get rough estimates.

In addition, the black market is still strong in BiH. Thriving in the field of tobacco sales and production, construction work, agriculture, and small business sales through both social media and in-person conduct, there is almost no certain way in which the institutions can gather representative and correct information. Although the authorities are constantly working to shut down what can be traced to the black market, working individuals still cling to these sources of income to escape tax, and the complicated business registration processes (Sarajevo Times, 2022).

Lastly, as emigration trends constantly spike, local firms are forced to import labour. However, due to severely complex legal barriers, discussed in more detail in the report, this may lead to the illegal employment of aliens, also contributing to the numerous issues in fact-checking the employment statistics.

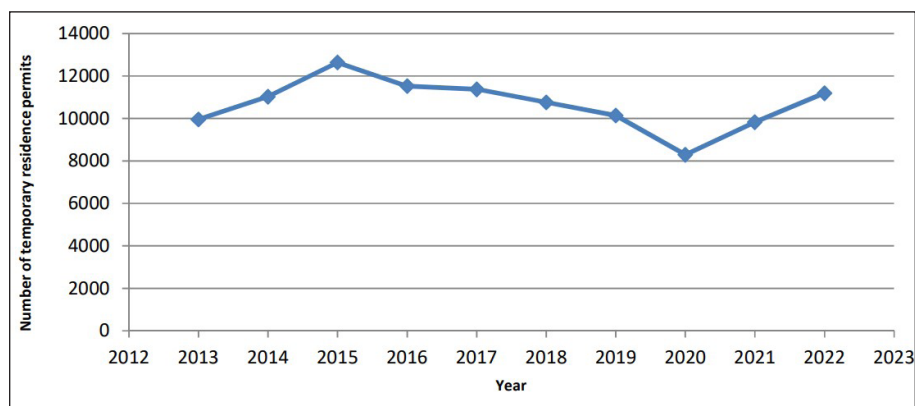
## **New Trend of Migration: Immigration**

For the purposes of this paper, two main immigration trends are analysed: temporary residence permit allowance and work permit allowance, as they represent the two major legal indicators that track the entry of labour into the country.

### *Temporary residence permits*

According to the Law on Aliens, which came into force in November 2015, temporary residence can be granted to a foreign national who either intends to live in, or is currently residing in Bosnia and Herzegovina based on reasons such as family reunification, education, humanitarian considerations, employment under a work permit, employment without a work permit, or other valid grounds. In exceptional cases, approval for temporary residence might also be based on the ownership of real estate, as long as it's demonstrated that the foreign national has substantial ties to Bosnia and Herzegovina. The temporary residence permit is a residence document, valid for a maximum of one year, with the condition that the foreign national's passport remains valid for at least three months beyond the authorized duration of temporary residence (Law on Aliens, 2015).

Figure 3: Graphic overview temporary residence permits issued, by year from 2013 to 2022 (source: BiH Migration Profile 2022)



Between 2013 and 2015, there was consistent and balanced growth, indicating that the management of foreign nationals' movement and residency had come under the supervision of competent authorities



during this period. The graph also illustrates a consistent decrease in the number of approvals or extensions for temporary stays from 2015 to 2020. However, in 2021, there was an 18.50% increase in the issuance of temporary residence permits, compared to the previous year. This growth trend persisted in 2022, with a 13.85% increase compared to the previous year (BiH Migration Profile, 2022). The visible decrease from 2019 to 2020, is ascribed to the Covid-19 pandemic, in which entry to BiH was disallowed.

There is a continuity evident in the top five countries of origin for foreign nationals who have received or extended temporary residence in Bosnia and Herzegovina. These countries are Turkey, Serbia, Croatia, Montenegro, and Austria. Together, these five countries account for over 50% of all aliens admitted. (BiH Migration Profile, 2022). In 2022, 3018 temporary residence permits were granted on the basis of work based on a work-issued permit, and 1328 for work without a permit. (BiH Migration Profile, 2022).

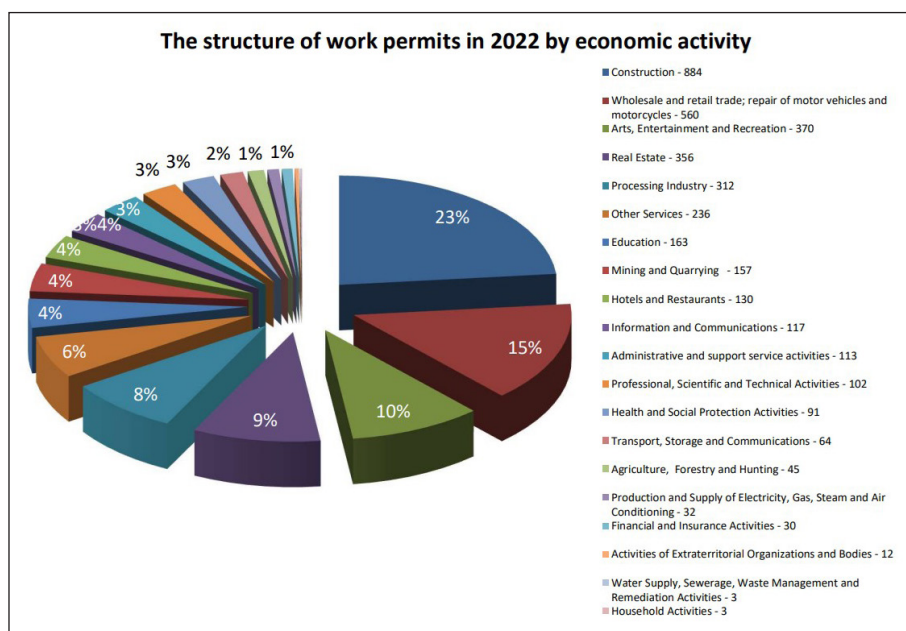
### *Work permits*

In 2021, the overall count of work permits granted to foreign nationals in Bosnia and Herzegovina was 2,775. However, this number rose to 3,780 in 2022, a notable growth of 36.22%. During 2022, the highest proportion of work permits granted to foreign nationals in Bosnia and Herzegovina were given to individuals from Türkiye (22.78%). This was followed by citizens of Serbia (17.46%), Croatia (4.47%), China (4.47%), and Kuwait (3.62%). When comparing the numbers to those of 2021, there is a noticeable increase in the issuance of work permits for most of the countries mentioned, except for citizens of Croatia, Saudi Arabia, and the United Arab Emirates (BiH Migration Profile, 2022). With regards to the educational qualifications of those admitted, the majority were university graduates (34%), followed by individuals with a high school diploma (29%), and unskilled and semi-skilled workers (18%). The distribution of higher and secondary education qualifications remained relatively consistent with previous years (ibid).

In 2022, as can be seen in the chart below, the most substantial quantity of work permits granted pertained to specific sectors. Notably, civil engineering accounted for 884 permits (23%), trade for 560 permits

(15%), art for 370 permits (10%), real estate for 356 permits (9%), processing for 312 permits (8%), other service activities for 236 permits (6%), education for 163 permits (4%), and mining for 157 permits (4%). Together, these sectors comprised 79% of the overall tally of permits issued. Of the complete count of work permits issued in 2022, 409 were granted to females (11%), while 3,371 were given to males (89%), maintaining a proportion similar to that observed in the past five years. The highest quantity of work permits issued in 2022, totalling 1,767 or 47% of the overall figure, were allocated to men aged between 36 and 59 years. This percentage remained relatively consistent with previous years (BiH Migration Profile, 2022).

Figure 4: The structure of work permits in 2022 (source: BiH Migration Profile 2022)



Concerning the most prosperous employment sectors in BiH, employing individuals over 15 years of age, the service sector is shown to have been the most dominant over the past five years, employing over 50% of the population, followed by the industrial and agricultural sectors respectively with over 30 and 15%. (Badescu; Gavoci; et al., 2020). The employment rates do not, however, include non-nationals in the official numbers, which

is harmful to the country's statistics, as the numbers of outsourced workers have been sharply increasing over the past few years.

### **Conclusion**

In conclusion, following a massive trend of economic emigration of the labour force in the previous two decades, the backlash from these losses resonates in the present scarcity in the manual labour force, raising numerous strategies for economic recovery, including importing workers for different sectors. The balance between the supply and demand of labour in Bosnia and Herzegovina has been severely lost. The country that is still considered to be a 'sending country' is slowly having to transition into becoming a receiving country. As BiH slowly enters the immigration market as a pulling agent, there are still prominent issues to address and facts to consider. There is an overarching reluctance to recognise the need to import labour force, by governing bodies and lawmakers. Although the data suggests quite strongly that labour immigration is in motion and growing, the lack of recognition of the need to adapt is visible. Recent data on data migration, embedded in the data on work permits granted, and temporary residence granted, indicates the ongoing growth of the mentioned factors that, to a certain extent, reflect the rate of importing labour force, emphasising further the country's overall reliance on labour import in sectors such as construction, education, and real estate.

Furthermore, the reduction of the unemployment rate, although positive, is influenced by numerous external factors, including statistical manipulations, primarily caused by faulty administration and outdated database systems for unemployment tracking, rather than actual economic advancements. These bureaucratic inconsistencies in the inadequate tracking mechanisms for tracking unemployment in BiH, gravely impact the possibilities for importing employment in any sector. As mentioned, in order for local companies to hire a foreign workforce, they must show proof that there is no available local workforce. Given that the unemployment data from the employment agencies in BiH is inaccurate, as it displays the number of people who collect unemployment benefits (health insurance for instance), but may not be seeking employment, per se, it is quite difficult to obtain this proof. The employment trend is more so, therefore, shaped by emigration, statistical manipulations, black market presence, undeclared work, and the inexplicable exclusion of individuals from the unemployment dataset.

Moving forward, in order to properly combat the rising need for a foreign workforce across various sectors, a more sustainable and accurate system must be built. In addition, this will help provide an adequate response to the challenges of the labour market in BiH, including skills mismatch. Collection methods for unemployment data need improving, and generally it is necessary to provide a better work environment and conditions for both the local, and the foreign workers. Pull migration will have to take place in BiH. In order to address the gaps in the labour market, the country's need to become immigration-oriented will have to be supported by adequate administrative and legislative procedures and changes that can appropriately accommodate the fact that pull migration will be at work. Only by addressing these challenges, can BiH move forward in establishing a stable and opportune labour market.

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## **Zahtjevi tržišta rada u Bosni i Hercegovini i novi trendovi u imigraciji**

*Sažetak:* Ovaj rad istražuje sve veću potrebu za uvozom radne snage u Bosni i Hercegovini, uzrokovanu dugotrajnom nestašicom lokalne radne snage zbog decenija radne emigracije. Razmatra statističke nesuglasice u stopama nezaposlenosti, proces zapošljavanja stranaca i glavne migracijske trendove u BiH. Migracijski trendovi analizirani su kroz dva ključna faktora: privremene boravišne dozvole i radne dozvole. Rad tvrdi da trenutni sistem nije pripremljen za značajan priliv stranih radnika i ističe nekoliko problema koji pogađaju tržište rada u BiH, uključujući emigraciju, nesklad u vještinama, nezaposlenost i nepouzdanost podatke o nezaposlenosti. Nalazi naglašavaju važnost rješavanja ovih problema kako bi se stabiliziralo i unaprijedilo efikasnost i održivost tržišta rada.

*Ključne riječi:* imigracija; zapošljavanje; strani radnici; tržište rada