



A Small but Valuable Chance? Outsourcing in high skilled sectors in Bosnia and Herzegovina

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Introduction

Political processes in Bosnia and Herzegovina (BiH) rarely run fast, even when speed is desperately needed. At the moment, the country awaits a new round of general elections scheduled for October 2014 and the processes are likely to be slowed down even further. Parties' officials see no problem in explicitly informing the electorate not to expect any significant moves shortly because no political party is ready to jeopardize their electoral prospect by making risky moves at this pre-election phase (Nezavisne novine, 5th of May 2014, p.4). Instead, the electorate is expected to be content with a simple maintenance of the current system, whose financial stability is already heavily dependent on the international creditors' support. This is hardly surprising for anybody even remotely familiar with the usual state of affairs in BiH. Yet another year or so will pass before any further reforms and necessary economic upturn might be expected. Official unemployment is on the rampage reaching almost 50 percent, the irregular labor markets flourish, and there is little vision on how to reverse these negative trends.

For years, increase of foreign capital inflow has been a great hope for economic recovery of BiH. It is presumed that stimulating and attracting foreign direct investment (FDI) will generate jobs, increase productivity and contribute to development of knowledge and skills. If one looks more closely, one can see that in the last decade a huge portion of FDI has gone into privatization of existing factories or companies and rarely into building new ones. While the balance sheet of the privatization process is mixed, a number of privatization acquisitions entailed breaches of contracts and proved harmful for both companies and employed workers, leaving many of them without employment status, including social and pension benefits, and damaging domestic economy for hundreds of millions (DANI weekly, no 872, 2014). In any case, the overall effect of privatization on BiH's economy remains to be studied in detail. It may very well turn out that the major effect of FDI has been a massive extraction of domestic capital and resources, combined with increased exploitation of domestic labor force.

Whatever the final verdict will be, FDI alone, which was lower by 34 percent in 2013 in comparison with 2012, is in no way capable of bringing about any serious growth of the economy. And, while it is still worth looking for new ways of increasing it, but also of regulating it in ways which will not be harmful domestically, few other smaller opportunities may be around and go unnoticed. In the present depressing BiH socio-economic conditions, any chance, no matter how small, that may contribute to increase in employment and collection of public revenues deserves attention. There are indeed multiple perspectives, some operating in practice already, on how to encourage inflow of foreign capital and how to get engaged with foreign markets in order to extract benefits for domestic economy. In highly and semi-skilled professions, increasing number of people are earning their wages *out of or in* foreign markets. It is by investing in human capital that chances of entering these markets can be increased indeed. This means investment of time and resources in education, work experience, skills, career building. It also means a paradigm shift: knowledge, skills and experience are most important drivers of progress, and it is human resource, both in-country and abroad, that is most valuable asset and of Bosnia and Herzegovina.

Our argument is that this market segment and these relationships should be investigated as a venue for reinvesting foreign money that could have positive spillover effects onto domestic economy, if strategically approached and carefully regulated. What makes it more dynamic is the way these relationships arise and revolve in connection to the unusually large stock

of emigrants. BiH's emigration profile is indeed an interesting one: a large number of people abroad who still maintain strong connections with their country of origin. It turns out that, in many cases, small and medium size domestic companies, and both individually employed and self-employed labor force, establish connections and enter foreign markets, sometimes purely digital, through members of BiH diaspora community, or through returnees from abroad.

We first define the concepts and establish a framework for analysis. We use the term "outsourcing" to label the relationships we are looking at, but develop its particular working definition in order to include complementary processes. Then, we describe the processes, regulations and the role of concerned stakeholders, and present the findings from a case study on the highly skilled and semi-skilled "outsourcing" market in Sarajevo, focusing, in particular, on semi-regular and irregular markets, and a way in which they are connected with BiH diaspora communities. Based on the presented analysis, we then develop a set of options on what could be done, first to re-regulate, formalize, and then to support and stimulate growth within the sector. Finally, we offer a number of recommendations on measures to be considered as soon as this issue is brought on the stakeholders' agendas.

1. Problem description

Emergence and dynamic of outsourcing has to be contextualized within broader framework that takes into account a number of economic and political challenges BiH is facing and which endangers long term sustainability of domestic economy and need to be addressed by adequate policies. The following interdependent factors are examined in more detail: FDI framework and investment dynamics; migration factors and the way they are connected with domestic economy and the domestic human capital - especially 'brain drain' indicators and the stock of diaspora; and the dynamics of the unusually large informal economy sector within which we look for other sources of income helping sustain BiH economy despite the low growth rate but damaging the rate of human capital formation (cf. Gibson, 2005).

1.1. Definitions and framework

Outsourcing can be defined as "contracting out of activities that were previously performed within a production unit to subcontractors" (Hijzen, Holger and Hine, 2004). According to the geographic criteria, two types of outsourcing can be distinguished: domestic and international (offshore) outsourcing (Lukić, 2012). Domestic outsourcing entails a company hiring another company or individual specializing in a particular area from the same country. Offshore outsourcing basically means a company from North America or Germany contracting services in a foreign labor market in a country with relatively low wages, provided that there are enough skills and resources available at the particular market for the supply of services, processes or producing goods that this particular company is interested in. Categories of outsourcing will vary depending on the way clients use outsourcing services and can include: general, selective, value adding outsourcing, business process outsourcing, etc (Lukić, 2012).

For the purposes of this paper, we adopt an expanded definition, which applies a simple criterion of a person entering into outsourced working relationship. Thus, if a person (or a company) is working on a particular process for an organization from abroad, or if (s)he works for



a foreign company that is directly in competition on the foreign market (part time, full time, or in some other arrangement), such person is considered to be in the outsourcing relationship. Also, under outsourcing in the context of this paper, we consider both domestic and offshore outsourcing, but focus on work relationships that entail services crossing the state borders while workers remain in their home countries.

Outsourcing is mainly about cheap labor, cheaper at least. In sectors requiring a labor force with adequate level of knowledge and skills, besides acceptable prices, outsourcing requires high quality services. In Information technology (IT) for example, outsourcing originates from around 1989 with the Kodak-IBM outsourcing agreement, after which it went through two important transformations: it has expanded to include outsourcing the whole range of business processes and the transition from onshore to offshore outsourcing once doubts about the quality of services proved unfounded (Qu and Brocklehurst, 2003). While outsourcing does not automatically leads to outcomes that can benefit domestic economy (Lorentowicz, Marin and Raubold, 2005), many developing economies have significantly boosted their output and income by attracting money from abroad through outsourcing (Bardhan and Kroll, 2003).

We look at the nexus of skilled services from Bosnia and Herzegovina that are being sold at foreign markets through business relationships with BiH diaspora members. Diaspora members, for the purposes of this paper, are defined as "persons originating from BiH, and their descendants, living outside BiH, irrespective of their citizenship(s) or nationality, who, individually or collectively, are or could be willing to contribute to the development of BiH." We look at diaspora as a specific channel through which domestic human capital can attract foreign money. What also concerns us is how human (and also potentially social) capital in BiH is deployed and developed through this engagement and how this occurs within both regular markets that involve rising number of small and medium size companies, and as a part of a large irregular or semi-regular labor market.

1.2. Irregular labor market and alternative sources of income

A closer look at BiH macroeconomic indicators hardly gives rise to optimism. When analyzing GDP, one of the features that indicate the weakness of the real sector is the share of consolidated public revenues, which is steadily close to 40 percent of GDP. For example in 2007, according to Tomaš (2008), BiH consolidated public revenues amounted to 45.5 percent. The most recent positive growth of GDP in 2013 is, most likely, result of the rise in employment in public institutions (Milojević, 2013). Locally operating companies are under heavy tax burden, effectively rendering state social policies as parameters of doing business and thus reducing competitiveness of domestic markets (Tomaš, 2008). High taxes and other benefits contribute to de-incentivizing both private and public employers from registering workers and reporting only minimal earnings, or avoiding payment of payroll contributions (Gov F BiH, 2013). Such employers' practice puts social and pension funds under additional pressure, apart from that arising from high registered unemployment.

Official unemployment figure in BiH is close to 50 percent, while youth unemployment rate (57.9 percent) in BiH is, according to the World Bank, highest in the region. More realistic outlook on the issue of employment based on International Labor Organization (ILO) methodology reports the unemployment rate at 31.6 percent (BHAS LFS, 2013). Since official unemployment rates are calculated based on data from employment bureaus, a whole mass of irregular

workers at the grey market and those working on the basis of temporary contracts, including those employed at different international organizations which are not (or act as if they are not) obliged to pay for social security and pension benefits, goes unregistered. Evidence is abundant and there is an obvious mismatch between the purchasing power of BiH citizens and the official figures on their employment status and income levels. This strongly suggests that there have been other sources of income which have supported consumption in BiH and one significant part of it seems to come from informal economy which continues to be very high in many low income and developing countries around the world (ILO, 2014).

The overall shadow economy in BiH is estimated by ILO at around 30 to 50 percent of the country's GDP, making it highest financial loss of this kind in Europe. Both wage workers and own-account workers in BiH contribute to estimated losses amounting to over 8.6 billion BAM a year, which is more than one third of the country's GDP. Informal work covers people working for unregistered employers, without formal employment contracts, or without social benefits. Regulation of these sectors rests largely on restrictive measures and actions of labor inspectorates with limited human capacity. It has been estimated that the percentage of labor force in grey economy in BiH increased from 37 percent to 42 percent between 2001 and 2004 and have remained extremely and unacceptably high - among highest in Europe (Obradovic et al, 2010).

There are several striking examples illustrative of the size of informal labor market in BiH. According to the 2013 figures released by BiH Agency for Statistics, the total number of registered employed persons in BiH in December 2013 was 689,270. However, the number of registered private vehicles (including private cars, buses, motorcycles, trucks, and other vehicles) in BiH amounted to 895,425 in the period between January and December 2013. Unless 206,155 unemployed persons can usually buy and register private vehicles each, even if we do not count those officially employed whose salaries do not exceed 200-250 EUR a month, one has to conclude that there is an obvious discrepancy between the purchasing power of BiH population and their official earnings based on registered employment figures. Namely, a person who earns an average monthly salary in BiH (around 800 BAM) - and most registered employees earn considerably lower average amounts - cannot possibly afford a private vehicle without additional income. This means that a large portion of population in BiH do have some alternative sources of income which allow them to afford private vehicles. It also means that the official unemployment figure in BiH (553,481 in December 2013) includes a significant share of those employed in informal BiH economy, close to 30 percent of the registered employment or around 37 percent of the registered unemployment.

Table 1:
Employment, Unemployment
and Registered Personal
Vehicles

	BiH	FBiH	RS	BD BiH
Number of persons employed in locally registered companies, December 2013	689,270	435,113	254,157	
Registered unemployment in BiH, December 2013	553,481	391,942	149,284	12,255
Number of registered personal vehicles January - December 2013	895,425	550,930	317,754	26,741
Difference between registered vehicles and formally employed persons	+ 206,155	+ 115,817	+ 90,338	

Sources: Labor and Employment agency BiH; Agency for Statistics of Bosnia and Herzegovina; Institute for Statistics of FBiH; BIHAMK,



Further on, according to the World Bank, mobile cellular subscriptions (per 100 people) in BiH reached 88 in the period between 2009 and 2013 (World Bank database). According to the Regulatory Agency for Communication of BiH, in the 3rd quarter of 2013, there were 859,174 active landline subscriptions, as well as 3.5 million active mobile phone numbers (both prepaid and postpaid), as well as over 500,000 subscribed internet users in BiH. In February 2013 a local media outlet in Mostar reported that the number of registered cellular phones in BiH was higher than the number of residents of BiH (i.e. around 4.2 million in February 2013). Again, there is a discrepancy between the number of registered employment and the number of active mobile phone numbers, suggesting that there is more income than that which is reported as part of the registered employment.

1.3. Migration factors and human capital

BiH is among the top 15 emigration countries in the world in regard to stock emigration as percentage of population. The latest data published by MHRR in 2014, compared to the World Bank data (Migration and Remittances Factbook, 2011), positions BiH at the 7th place in the world and the leading developing country in Europe per stock emigration rate as share of the population. Majority of members of BiH diaspora live and work in the EU, USA, Australia and Canada and at least 24 percent of emigrants from BiH have tertiary education. Most recent breakdown of the stock of BiH diaspora (without the so-called “old BiH diaspora”) reveals that at least around 1.95 million persons of BiH origin are residing in 51 host countries.¹ This estimate is modest because a number of statistics and census agencies of BiH diaspora’s host countries count only the first generation of BiH migrants. The number of Turkish nationals originating from BiH, for example, was reported by various academic sources to amount to between 2 and 4 million but there was no official confirmation of this number from *TurkStat* so that the reported number of BiH diaspora members in Turkey amounts to 533 BiH nationals only.

¹ For a more detailed overview of status and distribution of BiH diaspora in 51 host countries, including 15 key ones, see Annex 1

Table 2:
BiH stock emigration (2014)
as share of population (1991 &
2013)

Total number of BiH diaspora members in 51 analyzed host countries, 2014	1,871,269 - 1,941,729	
Total population of BiH (Census 1991)	4,377,033	42.75% - 44.36%
Total population of BiH (Census 2013, preliminary results)	3,791,622	49.35% - 51.21%

Sources: MHRR (2014). *Pregled stanja bosanskohercegovačkog iseljništva & BiH Agency for Statistics (2013). Preliminary results of the 2013 Census of Population, Households and Dwellings in BiH*

Large scale migration movements from and within BiH triggered by political (i.e. forced migration in the 1990s) and then mainly economic reasons resulted with a number of negative developments. The figures on brain drain indicate a danger of permanent loss of human capital base, including, most likely, highly qualified and thus most mobile labor force segment. The World Bank data indicates that 32.3 percent of adult population from BiH is willing to emigrate abroad. According to the World Economic Forum’s Global Competitiveness Report for 2012-2013, BiH is almost last - 140th (score 1.9 on the scale 1-7)² of 144 analyzed countries in terms of her brain drain rate in 2011/2012 (World Economic Forum, 2013). Before US and other countries turn to the suggested “unlimited immigration of high-skilled workers” in order to re-fuel growth which seems bound to slow down (Gordon, 2012), developing countries, including BiH, need to think twice on what can be done to stop their best students but also established professionals from leaving the country on permanent basis.

² The World Economic Forum Global Competitiveness Report - description of brain drain scale 1-7: „Does your country retain and attract talented people? [1 = no, the best and brightest normally leave to pursue opportunities in other countries; 7 = yes, there are many opportunities for talented people within the country]

³ We cannot not notice - while acknowledging its utterly important role in capitalist economies - that actual result of this requirement to match these two is nothing but the simple production of labor force for the production machine. This soon turns education into pure commodity whose value is determined solely by its value on the market. For an important defense of not for profit education see Nussbaum (2010). For another great source on how public education in US is attacked by market forces see Gude and Sunkara eds. (2014).

In addition to limited job and career development opportunities, one of the main push factors for continued emigration from BiH is the missing strategic approach to retaining domestic human capital, which is inadequately developed and underutilized. OECD index of investment reforms indicates rather poor performance of BiH in the human capital development sector. The main reasons cited for such poor performance are high expenditures for the educational system, poor results of the educational process, the drain of qualified labor force, low quality of education and the institutionally fragmented educational sector (CPU 2010), as well as the infamous mismatch between skills and labor market needs which is a major issue for many developing countries (cf. World Economic Forum, 2014).³ BiH educational system as such is confronted with a whole range of serious obstacles for its consolidation, including financing and the almost inexistent investment in research and development component which should represent a basis for developing economy based on knowledge and innovation.

At the same time, very large BiH diaspora gives rise to another factor significantly fueling relatively high domestic consumption and is surely one of the factors responsible for the noted discrepancy between income and purchasing power: remittances, which are constantly close to 10 percent of GDP (World Bank, 2012), but whose significant share goes unrecorded through unofficial channels. Illustrative of the importance of remittances for domestic economy is their comparison with FDI and Official Development Assistance (ODA). For years now, remittances inflow has been manifold larger than FDI and ODA combined. Remittances have remained an important factor for the maintenance of domestic economy. The inflow has been fairly stable but with the commencement of the global economic crunch in 2008 came the decrease in the absolute number of recorded remittances inflow to BiH, which continued until 2013, when their overall inflow has risen for around 160 million BAM, contributing as much as 13.42 percent of GDP.

Table 3:
Remittances, FDI, ODA

(BAM .000)

BiH	2009	2010	2011	2012	2013
GDP	24,307,242	24,878,693	25,772,212	25,734,322	26,259,163
FDI	358,900	93,700	612,100	992,700	283,860
FDI as % of GDP	1.48%	0.4%	2.4%	3.8%	1.08%
ODA	588,726	725,225	888,766	811,564	n/a
ODA as % of GDP	2.42	3.04	3.43	3.27	n/a
Remittances	2,091,000	2,980,000	3,553,200	3,555,700	3,523,000
Remittances as % of GDP	8.60%	11.99%	13.79%	13.82%	13.42%

Sources: Agency for Statistics of BiH; Centralna banka BiH; Ministry of Security of Bosnia and Herzegovina; Direkcija za ekonomsko planiranje BiH; World Bank; Calculations by authors

1.4. International norms and obligations

BiH have undersigned different international documents which oblige her to work toward achieving certain standards in regard to labor and work legislation and policies. Most elaborated labor standards are ILO's. In its *Declaration on Social Justice for a Fair Globalization* of 10 June 2008, ILO expresses the universality of the *Decent Work Agenda* and strategic objectives of employment, social protection, social dialogue, and rights at work and recognizes that these objectives are "inseparable, interrelated and mutually supportive", and international labour standards in national policies as means of achieving them. Members are called to ensure effective convergence of national and international policies that lead to a "fair globalization" and



BiH should, without delay, closely analyze and reinvent all her economic and financial policies in the light of the fundamental objective of social justice. Before that she is obliged to make this Declaration known in all relevant forums and to disseminate its content.

Further more, under the Recommendation No.198, all “laws and regulations, and their interpretations, should be compatible with the objectives of decent work” and states are to devise measures against harmful practices affecting those in unregulated contractual relationship arising out of the effect of a globalized economy which has increased the mobility of workers. Also, one of the aims should be establishing bilateral agreements to prevent abuses and fraudulent practices aimed at evasion of the existing arrangements for the protection of workers in employment relationship by regulating the exact meaning of this relationship. Members should develop such national policies that include effective measures aimed at removing incentives to disguise an employment relationship, while promoting the role of collective bargaining and social dialogue within the so-called “tripartite” dialogue (governments, workers and employers). Members should also, as set out in “establish specific national mechanisms in order to ensure that employment relationships can be effectively identified within the framework of the transnational provision of services; consideration should be given to developing systematic contact and exchange of information on the subject with the States”.

To summarize on ILO standards, Bosnia and Herzegovina, as an ILO Member, should establish a set of efficient, effective and comprehensive policies and measures for workers’ protection accessible to all that have measurable and prompt outcomes and encourage voluntary compliance. In addition to that, BiH should work closely with other ILO Members to ensure exchange of relevant information, best practice and learning points arising from transnational employment relationships in which resident labor force participates. BiH institutions at all relevant levels should also ensure wide dissemination of information on ILO international labor standards (i.e. the Declaration of 2008 and the Decent Work Agenda in particular), and on efficient, cheap and simple local labor regulations that will encourage voluntary compliance.

Also, in order to join the EU family eventually, which has been a repeatedly proclaimed strategic objective of BiH, the country needs to meet the aforementioned ILO labor standards, but also to ensure full implementation of the EU single market policy, i.e. its cornerstones reflected in the so-called “four freedoms” - the free movement of people, goods, services and capital. These freedoms are enshrined in the EC Treaty and form the basis of the single market framework. Other obligations arise from the International Covenant on Economic, Social, and Cultural Rights, European Social Charter, a key legal instrument of this intergovernmental organization.

What all these instruments reiterate is the importance of an organized representation of workers in the labor market and the unionization of its segments. There has never been a trade union in BiH representing freelance workers and other nonregulated occupations, which means that this segment of labor force has no channels for entering any form of collective bargaining with the government or for making its voice heard in the policy creation processes. In the case of undocumented workers, the instrumental role of trade unions is particularly important in the context of BiH and beyond. Organising a trade union branch in BiH can and should indeed lead to meaningful inclusion of BiH undocumented workers both in the workplace and in the society at large. This goes along the imperative to give justice to violations of the laws and international standards in many labor related criminal instances but also not to simply criminalize unregulated labor but work toward its progressive formalization. If this remains unchanged,

then unregistered or semi-regular, and contingent labor will likely continue to be sold heavily underpriced, thus causing damage to many segments of the sector where there is a lot of skillful newcomers, in need of work, who are ready to sell services significantly below prices (freelance translator, interview, April 2014; graphic designer, interview, January 2014).

1.5. Institutional and Policy framework in BiH

Regulative and stimulative FDI framework is well established but its effects are questionable. General conditions are not so favorable too. Foreign investors are formally highly protected by BiH legislation at all administrative levels, but it seems that their actual protection, especially for small shareholders, is limited. Credit interest rates are much higher when compared regionally, and the general conditions for doing business are still rather unfavorable (Tomaš, 2008).

Foreign Investment Promotion Agency of BiH (FIPA) is the main state-level institutional actor in the area of FDI. Its mandate is set rather ambitiously, i.e. "to attract and maximize the flow of foreign direct investment into Bosnia and Herzegovina, and encourage existing foreign investors to further expand and develop their businesses in BiH; facilitate the interaction between public and private sectors, and have an active role in policy advocacy in order to contribute to continually improving environment for business investment and economic development." (FIPA WEB). In terms of its promotion of highly skilled sectors and ICT markets in particular, FIPA has recently opened up a niche and outlined some investment opportunities, defined as "comparative advantage" of BiH. According to FIPA (2013), answers to the question "why invest in BiH ICT sector?" are the following: "doorway to Southeast Europe, privatization opportunities of publicly owned ICT companies", but also some unclear qualifications such as "cultural affinity" (FIPA, 2013, p.12). Although availability of basic structure and "a number of small IT companies" are on the list, too, a closer look at the way foreign capital has been invested in BiH in the ICT sector shows that its main targets were large publicly owned telecommunication companies, as 2007 and 2008 figures indicate (when the Telekom of Republika Srpska was privatized). After this privatization, completed 5 years ago, there has been no serious foreign investment in ICT sector in BiH.

Audit report on the work of FIPA, however, suggests that FIPA failed to position itself as the major player in coordinating efforts to attract FDI and that a lack of commitment of BiH authorities hinders its prospect to improve its major objective (Audit Office of the Institutions Of Bosnia And Herzegovina, 2013). In its reply to the authors' inquiry on its current role and vision in promoting outsourcing as a part of foreign investment opportunity portfolio in BiH, FIPA replied that outsourcing was not in their mandate, and that other institutions have authority over this sector (Communication with FIPA Head Office, January 2013).

The Ministry of Foreign Affairs (MFA) should be another milestone state-level institution with an important role to play in promoting BiH business as investment opportunity, and providing, through its economic diplomacy agenda, a comprehensive offer of BiH labour market to foreign investors (Sinanagić, Čivić and Kamarić, 2012). In its list entitled "Looking for business partners in BiH", MFA fails to mention high skilled sectors and the potentials for outsourcing services and production. Furthermore, in their view, these questions are not nor should be part of their mandate (communication with MFA, September 2013).



Tax systems at Entity and Canton level and labor regulations recognize a number of modalities for self-employment. For different categories of self-employed groups, provisional tax base is set. They cover tax system, agricultural production and forestry, traditional crafts, and alike. A category that individual outsourcing services might be counted in is the so called “free occupation” accompanied by the highest provisional tax. However, the fact that different pieces of legislation regulate access to health protection, contribution for pension funds, insurance, taxes, makes the current system of voluntary registration too vague, complicated, expensive and inefficient. It is hardly surprising then that several respondents stated that they prefer to remain registered as formally unemployed persons in order to ensure access to primary health care for them and their children, although they would prefer to have some other option to regulate this issue. It seems that there is a general agreement among service providers that legal framework pertaining to doing business is ‘slow’, and taxation system is too complicated; even to the extent that accounting firms sometimes interpret same provisions differently (Sarajevo, graphic designer independent craft shop owner). Also, current official classification for independent provision of services is strict and does not allow for flexibility in defining services that one may offer. All this complexity requires a lot of additional energy and limits creativity. Even when a contractor wants to operate in a fully legal way, “the current regulations make it hard to ensure full compliance” (Contractor, interview, February, 2014). One company owner suggested that simple self-employment option with provisional tax and benefits expenditures would be great “because having a company for many services in ICT business is not really needed” (ICT Company owner, interview, March, 2014). Currently, there are many obstacles for restricting practices of irregular work. Therefore, provisional monthly payments of contributions and tax levies are among the few measures seen as capable of increasing voluntary registration (KS Employment agency official, interview, January 2014).

Another issue that works against regulating outsourcing services provided for contractors abroad is the question of double taxation (graphic designer, interview, April, 2014). In many cases, after the contract has been executed, taxes are already paid in the country where services from BiH have been delivered. If a domestic provider decides to report this income locally and does not have the “primary employment” status, he will be forced to pay tax on the amount that has already been taxed. In other words, tax burdens and social and pension benefits are the sole responsibility of the self-employed person, irrespective of whether tax (or benefits) has already been calculated during the execution of the contract abroad (Labor and Employment Agency of Bosnia and Herzegovina official, personal communication, January 2014). The only way for an employer to be able to cover obligatory tax and benefit payments is to register a local company. The problem of double taxation should be solved systematically, i.e. by means of concluding bilateral agreements on avoiding double taxation between BiH and key host countries of BiH diaspora, like the one signed with Austria (RS Central Tax Office official, interview, May 2014), as well as with other countries where outsourcing services contractors are based.

Moreover, in line with the current labor legislation in BiH, only persons employed by resident employers are considered workers in a narrow sense and thus only those employees are subject to labor inspection carried out by labor inspectorates (RS Labor Inspectorate, personal communication, January 2014, RS Central Tax Office official, interview, May 2014). This obviously de-incentivizes service providers from reporting income and strongly suggests that some normative changes should follow to address employers not registered in BiH (Labor and Employment Agency of Bosnia and Herzegovina official, personal communication, January 2014).⁴

⁴ This blind spot in the domestic legal and policy framework is further reflected in the Law on Registers in the Areas of Labor and Health Insurance in RS. Namely, according to this Law, registers should be established and maintained for various population categories, including citizens and family members working abroad. However, it is not envisaged to register a specific category of residents working for foreign employers.

2. Outsourcing in skilled markets in BiH - preliminary findings

There have been no comprehensive studies on the structure and dynamics of the outsourcing market in BiH. Moreover, outsourcing has been rarely discussed in BiH public context and is rarely subject of academic inquiry in (Brdarević & Omerhodzic, 2009). Since 2006, a number of companies offering services for foreign markets emerged, especially in business processes outsourcing. However, after some fraudulent instances (including registration of foreign companies via BiH residents), when such companies were suppressed by labor inspectorates, this market segment got smaller (KS Employment agency official, interview, January 2014). Still, outsourcing jobs are mostly aimed at students and those looking for additional or part-time sources of income. In principle, these are mainly low-skilled jobs since there is no recognition of any formal employment relationship (ILO, 2006, p. 4). On the other hand, market for high skilled, value added outsourcing, is growing. ICT market, in particular, has been growing fast and has almost tripled in the past 10 years - going from around 300 companies in 2003 to more than 1000 in 2012. On a global scale digitalization gave large boost to the economic output but the decisive domestic move in this direction is still pending. Nevertheless, on the range of ICT markers, BiH is ranked fairly well. The World Economic Forum's Global Information Technology Report 2012 ranks BiH at the 84th place out of 142 countries within the Networked Readiness Index (NRI). The NRI index ranks 144 economies "based on their capacity to exploit the opportunities offered by the digital age, whereas this capacity is determined by the quality of the regulatory, business and innovation environments, the degree of preparedness, the actual usage of ICTs, as well as the societal and economic impacts of ICTs" (World Economic Forum, 2013). BiH scores highest on the following NRI components: affordability (45th out of 142 countries); skills (45th of 142 countries); individual usage (61st/142); infrastructure and digital content (62th/142). In all aspects, BiH ICT sector is thus solid and a growing market. Most importantly, sufficient and skilled human capital is still available in BiH (although constantly encouraged by the EU incentives set out in the Blue Card provisions, to move to the EU), while technology is getting cheaper. All that any skilled ICT provider often needs in order to deliver high quality services is a computer and a broad-band internet, with or without any physical office in BiH.

There are a lot of new and interesting developments in the private sector. In the early 2014, the first IT HUB started operating in Sarajevo, with a large portion of its market positioned abroad. The Hub is still in its initial development phase, but it has already gathered 45 small and medium size companies with up to 45 employees each, and with around 200 employed workers overall (Hub manager, personal communication, January, 2014). Outside this hub, there are more companies, many of them small, sometimes family business, but some of them employing close to 100 people with well established connections with foreign markets (employee - programmer, interview, January 2014).

Among very few initiatives there has been one at the level of the Sarajevo Canton administration, envisioning the attempt to look more seriously at the potential of creative and other skilled and highly-skilled domestic markets. One of these ideas was to launch an information hub, which would gather in one place and promote different local companies offering a range of services in communication, design, business management, etc. Unfortunately, this idea has never turned into an actual project (interview, Sarajevo City official, November 2013).

A lot of times small, local companies acquire clients and contract services from abroad without BiH diaspora members or companies being involved. They attribute this mostly to the never-



ending dynamics of the IT sector, and specifically to the booming interest in applications for mobile platforms (IT company owner, interview, December 2013). Also, it seems that one of the “comparative advantages” of domestic providers is certain similarity of cultural attitudes, similar working ethics, labor regulations and even compatible time zones, which often seems to emerge as a problem for contracting services in outsourcing giants such as China and India (employee of an IT company, interview, November 2013). In the creative market, such as design and web-development, with enormous rise in online marketing and research tools and business, the conditions are particularly favorable for skilled and creative individuals capable of providing online services, but dependent on their capacity to find both reputable and profitable work opportunities. At this level, outsourcing in Sarajevo revolves even in sound design, video production, and in many other forms (sound-designer, interview, December 2013; freelance videographer, interview, January 2014). Salaries in these jobs are significantly above the local average and short term contracts can seriously contribute to such providers’ family budgets. Many of them use online platforms such as *O-desk* and *e-lancer* and compete with individual service providers from around the world (graphic designer, interview, April 2014).

While financial transactions are very hard to track, and, as admitted by the interviewed institutions, impossible to identify, many services providers see almost no meaningful reason to declare their earnings and pay contributions and insurance fees, and prefer working unregistered from their homes (web maintenance, interview, December 2013). If one decides to do a highly unlikely move and try to report some income from an unregistered business activity, i.e. attempts to turn white what has been earned in black market, the whole amount will be taxed without reductions available for *regular* taxpayers (Rulebook for the implementation of the Law on income tax, FBiH, art, 41; Tax Agency of RS, interview, May 2014). Current financial control mechanisms are set up to trace (which does not mean that they actually do trace) only the transactions which are higher than 2,000 BAM a year. Thus, BiH labor force providing outsourced services direct to foreign contractors or those employed on short term contracts locally, go unnoticed by the legislators and largely have no direct access to health or social insurance. Local labor market segment focusing on outsourcing could benefit if taxes would be made flexible and if legislators could provide some specific incentives to them in return for voluntary registration, as well as the protection of rights based on clearly defined employment relationships (KS Employment agency official, interview, January 2014).

Markets in which Sarajevo-based services providers have worked are often in the USA, a lot of them in Italy, but also in Switzerland, Germany, while some are in the Netherlands. Few respondents reported that they work for companies which themselves operate on multinational scale without proper office or a physical base. This gives them the sense of freedom and a taste of opportunity the modern digital age offers so that “with a decent earnings I can leave BiH whenever I want and go live somewhere else” (employee, market research, interview, March, 2014). Most interviewed and surveyed individuals reported that they would rather work on informal basis and produce services for companies owned by foreigners, then provide similar or same services for significantly lower amounts offered by resident employers. There are several companies specializing in architecture and architectural design operating on the same basis - on buying cheap qualified labor and competing in foreign markets, mainly in Italy and Austria. These companies function a lot like architectural design hubs, completing entire projects in 72 hours. Their working patterns are flexible but there is also a lot of overtime work which is not paid or regulated outside the agreed wage (employee, interview, February 2014).⁵

⁵ This is a feature of what has become known as the “precarious work”, a characteristic of the contemporary economic and working conditions. This has become a social norm and standard for middle-waged population: implicit expectations that you should work more than the usual and the agreed and obligatory 8 hours.

Some respondents work on the basis of fixed term contracts which are renewable for years. This means breaching the existing FBiH labor law, which envisages that recurrent jobs lasting over two years, which therefore require a full-time employee, get disguised. According to current legislation, indefinite labor contracts, as opposed to repeatedly renewed fixed term contracts, should be signed in such instances. The findings on employers registered as legal persons in BiH (often foreign organizations, but some BiH administrative bodies, too) indicate that they should familiarize themselves much better with the existing labor legislation, respect it fully or, alternatively, initiate its improvements. Promotion of the rule of law is incompatible with any practice of its breaching, regardless of who does it and why in any context. Such employers' usual explanations that repeated fixed contract renewal is a common practice and that no labor inspection reacts to it should by no means be used as justification for breaching the labor legislation. The so-called "temporary employees" (in some instances the respondents reported that their fixed term contracts with both foreign and local employers were renewed for 5 and more years with 15 days of administrative break between contracts, which indicates intentional breaches of the legislation), in most cases, dare not voice their concerns and remind their contractors of relevant labor legislation since they prefer to have any job (even with limited access to labor-related rights) than none. "Our director discouraged any discussion on legality of fixed term contracts renewed for three and more years - this was a banned subject in our company" (Interview, Sarajevo, November 2013). Some respondents from BiH diaspora, who contract local labor force in BiH, replied that they do not feel comfortable at all knowing that those working for them do not have access to labor-related rights in BiH. Some, on the other hand, say that they provide remittances to their friends and family separately, and that the main reason for contracting BiH service providers is to become more competitive at their host markets (i.e. buy cheaper and sell more expensive services and products) - they wish to invest and raise profit and by doing so help their fellow-countrymen earn for living. They reported that it is still "better for workers from BiH to receive remuneration for their services and be formally unemployed than to be formally employed and work without salary or, even worse, sit idle at home while learning and earning nothing" (Diaspora member, company owner, interview, February 2014).

In general, BiH diaspora communities expect BiH institutions to remove administrative obstacles for investment and ensure a comprehensive development of the country based on knowledge and innovation. If the institutions do not act promptly to encourage this potential by adequate incentives and, at least, provide some symbolic recognition of BiH diaspora's efforts to support development in BiH, it may happen that diaspora will increasingly lose interest in BiH and focus on their permanent stay abroad instead. What is reported to be best incentive for BiH diaspora to invest their human, financial and social resources in development of BiH is when they see specific positive examples of retention of skilled cadre in BiH, and support provided by local institutions to returnees who decided to invest here (e.g. "Arifagić Co." Prijedor).

Few respondents do not have any idea about the local legislation, they tried consulting various services offering voluntary registration of contributions and insurance fees, but quit because the legislation presented to them was just too complicated and fragmented. Young people working in dynamic areas (ICT, design, architecture) are rarely ready to invest time and energy to chase dozens of administrators in various offices and read hundreds of pages of different pieces of legislation to insure compliance with local labor-related legislation. Some reported



that they cannot see any benefit from such compliance because they use private and not public health care services anyway, they see their parents and grandparents struggling with ridiculously low pensions amounting to 150+ EUR (after contributing to the pension fund for approximately 40 years each), and they do not trust that legislators have any capacity to protect them or contribute in any way to their benefit or careers. Also, young people complain about a lack of transparency in allocation of public revenues raised through payroll taxes, deductions and contributions. "If I decide to give any money to the authorities, I want to know exactly where my money goes. Since I do not know how the authorities spend 60 percent of my mother's 72 non-fiscal payroll contributions, I am not interested in pretending to support such non-transparent system by contributing my own money to it. My mother's salary is just too low and public services provided too poor" (freelance interpreter/consultant interview, Sarajevo, March 2014).

In average, local services are of a high quality and run "at symbolic prices abroad but with decent earnings for the local context as there are fewer options at the local labor market" (Diaspora member, interview, November 2013). Another diaspora member (residing in Western Europe) reported that he is, basically, aware of the fact that his private company has been exploiting BiH local labour force, who have no legal protection, adding that the contracted individuals in BiH are willing to accept such conditions since they have no other options to develop their skills and earn for a living in the local labor market. Such arrangements make foreign contractors more competitive in foreign markets, and allow for extracting additional profit, while offering more incentives to BiH-based service providers than they would have been offered locally.

There is no doubt that, in all its aspects, BiH ICT sector is a solid and a growing market. For a growing number of skilled people in urban areas in BiH, outsourcing in ICT and other high skilled sectors has become a primary source of revenue earned in both formal and informal economy. Instead of relying on domestic natural, technical and labor force resources, as is the case of FDI, this market functions under small material and large human capital requirements. It shows how BiH labor force has become mobile without being required to be physically close to the contractors, since the ICT services online providers from BiH are essentially de-territorialized and increasingly globalized. This kind of mobility will continue to grow, due to unstoppable globalization processes, regardless of any intervention or a lack of it exercised by BiH legislators concerned. Most importantly, it indicates that sufficient and skilled human capital is still available in BiH, but is continually 'discouraged' by possibilities of deploying their skills elsewhere, while the current de-incentivizing policies and practices may just contribute to their decision to move out of country.

In summary, our case study findings indicate that the current labor and tax regulations, as well as provisions for self-employment and benefit registration, are limiting, too strict, complicated and inefficient and the benefits one might expect in return are, at best, hardly sufficient to compensate for invested time, energy and money. At worst, those who opted for any form of voluntary registration under the current legislation reported that they do not see any benefit in return, and that they were feeling uncomfortable for contributing to a non-transparent waste of public money by further employment of obedient cadre in the public services. Thus, many service providers choose to remain registered as formally unemployed in order to ensure access to primary health insurance, which contributes to growth maintenance and eventual further growth of the irregular labor market in BiH.

3. Policy options

In this section we outline possible policy options decision makers and other actors can come to consider in regard to the issue of irregular outsourcing services, their formalization and their stronger integration with available foreign and diaspora resources and business opportunities. We list what are the most probable consequences for each option and then suggest a choice that we consider to be most appropriate and feasible way to answer some of the challenges described in the sections above.

- The informal economy sector in BiH will continue to grow;
 - More and more service providers in the outsourcing sector will not have access to labor-related rights;
 - The number of formally unemployed persons in BiH, and the size of the informal labor sector will remain extremely high and will possibly continue to grow respectively, while registered employment will continue to decrease;
 - Young skilled people, who have no other or better options to earn any income locally, will continue to sell their online work (along with intellectual property rights), while registered as unemployed in order to get access to primary health insurance; developed markets will continue to procure cheap high-quality services from BiH;
 - Only a limited number of enthusiastic BiH diaspora members will continue to outsource online services from a limited pool of their skilled friends, family members and acquaintances based in BiH;
 - Brain drain rates will continue to grow;
 - There will be no significant progress made by BiH on her EU accession agenda.
-
- Insufficient administrative capacity at all levels;
 - Frightening off foreign investors and BiH providers of outsourced services alike;
 - Continued threat of further irreversible drain of highly skilled and mainly young labor force to the EU and other developed labor markets;
 - No contribution to trust building between individuals and BiH institutions at all administrative levels;
 - No contribution to trust building between (potential) foreign investors and BiH institutions at all levels;
 - Development of even more imaginative ways of avoiding payment of any payroll contributions than it is the case now;

I Status quo (i.e. leave labor and all labor-related policies unchanged, continue to ignore the necessity of creating and implementing BiH Human Capital Development Strategy, continue to have political disputes on the role of BiH diaspora in development of BiH, continue to fake a tripartite dialogue among workers, employers and governments, remain stuck in the old thinking on payroll contributions and public revenue distribution, ignore public outrage and demands for social justice)

Not recommended

II Gradual introduction of simplified regulation of self-employment for persons providing online outsourced services for contractors based abroad, combined with already planned and publicly announced strengthening of restrictive measures (labor inspection services): criminalization of freelance outsourced services providers

Not recommended



- Equal access to all labour-related rights ensured for all employees and self-employed persons registered within the formal economy sector in BiH and voluntary registration encouraged;
- Employment mainstreamed from informal to formal economy (reduced number of actually unemployed persons in BiH);
- Improved figures indicating the actual foreign capital inflow to BiH (in addition to the FDI-related one, that has been monitored closely);
- Encouraged foreign contractors based abroad to engage more BiH experts who can provide high-quality online outsourced services;
- Increased number of investors from BiH diaspora who will contract more BiH-based providers of outsourced services due to a more stable investment environment driven by the respect of the rule of law;
- Ensured full compliance of BiH with her international obligations in the area of labor and labor-related standards (ILO standards, EU “four freedoms”, ECHR, CoE European Social Charter, etc.)

III Fast introduction of re-invented, flexibly regulated labour market options for self-employed persons providing outsourced online services for foreign contractors based abroad, combined with broad promotion of evidence-based incentives offered to them for voluntary registration of sole trader business, parallel to reduction of the current rates of payroll deductions and contributions for the registered labor force. Adequate related policies on human capital development, diaspora (and development), FDI, etc. adopted promptly.

Preferred (recommended) option

4. Conclusions and recommendations

Increase in FDI is, and is likely to remain, an important objective for domestic economy. Under the present conditions alternative venues to a significant increase in employment are not so obvious, while a paradigm shift must take place in order to reduce and regulate largest grey labor market in Europe. The first step in this direction should be a careful treatment of the highly skilled labor sector, whose business partners and clients are located primarily abroad and who - to a large extent due to inattentive policy measures - often operate on borders of or beyond the borders of the legal framework of regulated labor markets. There is no doubt that this will be a long process and not a prompt ‘magic stick’ solution. In order to make initial moves in this direction we offer hereafter a number of recommendations to be considered by policy-makers and other involved stakeholders.

4.1. Domestic labor and work in global times

State actors should replace fragmented, expensive and complicated set of labor-related regulations and introduce flexible, efficient and effective policies for voluntary registration of the self-employed (e.g. as it was done in the area of agriculture, for example). These policies should include broadening service categories which a company or a person may list as part of their offer. A freelance status (or a corresponding definition which would be discussed and adopted, such as sole trader for example) should be recognized for all service providers operating in skilled and highly-skilled sectors and include provisional income tax, as well as provisional social and other benefit obligations, particularly in the initial phases of application. Tax exemptions and reductions, similar to those pertaining to the export of goods, should be considered for independent services providers, whose primary market is abroad.

All BiH institutions dealing with labor and labor-related issues should work together in order to develop these measures which should also include a broadened definition of employment relationship targeting also international working relationships. This has to be done in coordi-

nation with other relevant sectors, and in a fully transparent manner and based on a wider vision, in order to avoid risk of contributing to even deeper lack of trust in BiH institutions at all administrative levels and further growth of irregular market. Thus, it is necessary to combine these new registration with necessary alterations in labor, tax, contributions and related laws for a start, which will relate to the registered labor as well. It should not happen that the level of access to labor-related rights depends on the model of employment. Each person in an employment relationship (as defined by ILO) should have access to the same set of labor-related rights, including social and health insurance, the right of collective bargaining, and alike.

The state must ensure that ILO's Recommendation on employment relationship and all related international labor standards, as well as the EU tax regulations on workers working at foreign markets are widely disseminated, understood, accepted and included in the new policies on self-employed workers (including consultants, free-lancers, etc.); It is necessary to encourage all relevant BiH institutions to support new, flexible working models, based on clearly identifiable employment relationship, and position outsourcing arrangements in BiH economy as an important development-driving mechanism which can benefit the state of economy on a larger scale and serve as a motor for developments in other sectors.

Labor laws and Criminal codes should introduce strict sanctions for those employers registered in BiH (both local and foreign) who breach new labour-related laws and regulations and observe the emerging practice of the integrated approach to interpretation of labor rights in the European Convention on Human Rights (cf. Mantouvalou, 2012) - instead of increasing the number of workers in informal economy, they should actively participate in changing and improving labor-related legislation in order to accommodate their own, the workers', BiH institutions' and wider social interests in BiH. Also, measures should be taken in order to protect increasing employment insecurity among all skill groups that often follows international outsourcing (cf. Geishecker, 2006)

The state and non - state actors should analyze and reassess the role of the existing trade unions in BiH, in particular the Association of Independent Trade Unions of Bosnia and Herzegovina, and reposition it in such way that it becomes a serious social partner protecting and promoting all workers' rights. BiH is nowhere near yet to membership in the European Trade Union associations. The selection process of BiH trade union leadership is reported not to be transparent, while the element of "representativeness" of workers' interests is entirely omitted from the equation. Most recent creation of the independent trade unions in BiH might be one way forward. Freelance workers should work toward establishing a union of freelance workers in BiH in order to engage actively in a tripartite dialogue. In such way they would raise themselves to a legitimate bargaining position and have better chances to defend their market position and the price of their work.

Audit reports on financial performance of various BiH institutions should be compiled in one annual report on fraudulent employment relations and breaches of labor legislation, with clearly prescribed instructions and strict sanctions for any institution breaching labor and labor-related legislation, together with a comprehensive database on taxes and contributions which should become operational and fully transparent.



4.2. Outsourcing, FDI, human capital and diaspora

All relevant state-level institutions responsible for FDI promotion should change - what most likely is the case - "narrow conception of what makes the economy attractive to foreign investors" (Gibson 2005) - and turn to rethinking the whole conception and the approach of promotional policy. One step forward would be a move toward marketing outsourcing as an alternative, and potentially fruitful, place for investing into BiH; this should also entail widening the debate on the relative role of different actors, relationships with foreign markets, engagement of diaspora stock and the domestic human capital potentials which are - at least in the high skilled sectors - fairly developed.

BiH decision makers should be urged to fully understand a huge human, financial and social capital of BiH diaspora and adopt pending legislation on cooperation of BiH with her diaspora (law and strategy on BiH diaspora to be adopted at the state level by the Parliament of BiH, and shared with mid and local levels) and undertake other measures on using potentials in human capital formation and transfer in this relationship.

As repeated by many actors state level should initiate drafting of a comprehensive strategy for human capital development to be developed, negotiated and adopted as soon as possible. It should also entail devising actions for stronger integration of migration effects into development agenda. This request should be taken very seriously and acted upon promptly by all relevant bodies. Without such strategy, building of domestic human capital remains highly contingent and in danger of falling a victim to global developments, while BiH is likely to experience further drain of highly skilled labor force.

Decision-makers at all administrative levels should consider establishing a *hub of authorized independent BiH consultants/freelance service providers*. Such hub would be widely promoted to foreign investors through FIPA, Ministry of Foreign Affairs of BiH, Ministry of Foreign Trade and Economic Relations of BiH and other institutions at all levels, as well as by relevant multinational and inter-governmental organizations. This hub could follow the usual practice of roaster of consultants deployed by organizations such as UNDP for example. It would be a cheap measure which is easy to implement, requiring no more than a few persons operating and updating the data base. Such hub can be self-regulated (e.g. consisting of a network of local and regional hubs) and subsidised by relevant BiH institutions and international development stakeholders. Initially, such hub(s) could be established at any BiH administrative level.

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ANEXES

Annex 1

Table 1:
15 key host countries of BiH
migrants analysed in detail by
MHRR, April 2014

Host country	Total number of BiH diaspora members and their descendants	of which those born in BiH	Number of BiH diaspora members who hold BiH nationality only	Number of BiH diaspora members who (also) obtained nationality of the host country	The total number of recognized refugees originating from BiH, June 2013
Australia	50.000+	25.682 37.878	1.400	24.282 (94,6%)	-
Austria	135.406+	68.894	79.571	53.090	219
Canada	60.000+	39.150	28.955	33.770	-
Croatia	381.764+	189.039	6.733	<i>Data not publicly available</i>	409
Denmark	24.000-28.000	22.401	10.963	11.438	143
Germany	228.000+	155.000+	152.470	75.530+	791
Italy	40.000+	29.066+	31.972+	3.642+	119
Montenegro	21.849+	21.849	5.209	15.000+ (70%)	1.456
Netherlands	25.440-38.880	25.440	2.374	11.972	247
Norway	16.613+	13.232	1.709	14.904	-
Serbia	300.000+	298.835	<i>Data not publicly available</i>	<i>Data not publicly available</i>	15.296
Slovenia	150.000+	97.142	38.836	96.744	-
Sweden	80.000+	57.183	47.511	37.849	1.239
Switzerland	60.000+	41.654	34.240	25.900+	2.714
USA	250.000-300.000	122.529+	43.547+	78.982+	200
Total (15 countries)	between 1.823.072+ and 1.890.512+	Between 1.207.096 and 1.219.292+	485.490+ (without Serbia)	483.103+ (without Croatia and Serbia)	27.419

Source: MHRR BiH (April 2014). Pregled stanja bosanskohercegovačkog iseljništva.



Table 2

	51 host countries (verified data only)	BiH diaspora members	Total
Europe and Euroasia	Austria	135.406	between 1.506.270 and 1.526.730
	Belgium	5.200	
	Bulgaria	65	
	Czech Republic	2.259	
	Croatia	381.764	
	Denmark	24.000 - 28.000	
	Finland	6.044	
	France	8.174	
	Germany	228.000	
	Greece	500	
	Hungary	330 - 350	
	Iceland	90	
	Ireland	607	
	Italy	40.000	
	Lichtenstein	298	
	Luxembourg	5.400	
	Macedonia	75	
	Malta	204	
	Montenegro	21.849	
	Netherlands	25.440 - 38.880	
	Norway	16.613	
	Poland	167	
	Romania	54	
	Russian Federation	5.700	
	Serbia	300.000	
	Slovakia	146	
Slovenia	150.000		
Spain	1.352		
Sweden	80.000		
Switzerland	60.000		
Turkey (non-officially 2-4 million)	533		
United Kingdom	6.000 - 9.000		
North America	Canada	60.000	between 310.000 and 360.000
	USA	250.000 - 300.000	

South America	Chile	1	3
	Uruguay	2	
Australija i Pacifik	Australia	50.000	50.504
	New Zealand	504	
Asia	India	2	4.353
	Indonesia	20	
	Iran	39	
	Izrael	3.000	
	Japan	45	
	Qatar	427	
	China	36	
	Kuwait	198	
	Malasya	170	
	Pakistan	11	
	United Arab Emirates	405	
Africa	Egypt	100	139
	South African Republic	39	
Total (51 host countries)		Between 1.871.269 and 1.941.729	





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