

# UNEMPLOYMENT - DETERMINANT OF QUALITY OF LIFE

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**Abstract:** The consequence of unemployment is a poor standard of the population. Life standard in the social and economic spheres transposes contradiction in the political system. Departure of professional forces abroad and losing most vital segments of the population in whose education and training is spent a fifth of the budget. Quality of life depends on many factors, of which in this paper we point out: the conditions in which we work and live, housing and health conditions, possibilities to meet the cultural, sports, entertainment, and numerous other requirements and needs of a modern man. Economic sphere determines the standard of living of every man.

**Key words:** employment, black market work, life standard, poverty, sustainable levels, occupations

## Introduction

Unemployment is a direct cause of the poor state of the economy and thus society. The causes of unemployment are numerous, among which we highlight those that directly or indirectly impact on unemployment:

- In the war devastated economic capacity with outdated technology, without the experts who carried the development,
- Lost earlier market and demand for goods and services,
- Poor business environment after the war and privatization,
- Weakness in the international division of labor and lack of competitiveness in the market
- Lack of basic and working capital for investment and development,
- Educational system adapted to the needs, requirements and possibilities of the economy,
- Targeting on imports and strengthening the consumer society instead of the production and service economy.

## Results and Discussion

### *Unemployment and Poverty*

Unemployment is directly reflected on the standard of living.

Unemployment, in this paper, I will analyze through the labor market and labor force.

Important for our analysis is the relationship between labor supply and employment demands.

The basic parameters of this analysis will serve the results of quantitative study “Work and Social Policy in BiH” Project DFID’s “policies and mitigate the negative impacts of privatization in 2002” (DFID, 2002)

The survey was conducted in Travnik, Zenica and Trebinje.

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Given that the social policies are under the jurisdiction of the entity users of this study are:

- Ministry of Health and Social Care
- Ministry of Labor
- Labor exchange
- Child care fund
- Department of Statistics.

These institutions of RS are quarterly meeting under the chairmanship of the Director SZRS coordinate the review called “The status of employment and unemployment in the Republic.”

Data sources were the entity reviews of the employment and unemployment used as a base and labor market surveys carried out in three areas of study cases.

In each of these areas of the survey they are based on:

- A long questionnaire of 110 questions and 300 respondents
- Questionnaire about business opportunities and way of employment (50 respondents – employers)
- Questionnaire on the effectiveness of mechanisms for establishing a balance of supply and demand (20 key participants from 22 employers through trade unions and NGOs)

In methodological terms of spatial coverage is not aimed at a representative sample rather than focusing on the processes that shape the labor market with social policies to increase opportunities for sustainable business.

This study aims to contribute to the next wave of SPID’s “Living in BiH”, which can competently serve our analysis of “quality of life.”

Results of LSMS indicate that the overall level of poverty in BiH is 19.1% with an international approach “absolute level” (based on income per capital) in the measurement of poverty VB.2002 UK 0 Site 12-21. June 2002. GKP in the FBiH and the RS.

If poverty is a more flexible definition of the total range of 50% of the population becomes classified as “nearly poor”.

From the perspective of quality of life of the percentage of “nearly poor” (in both entities) is subject to the categorization of “poor” if their incomes drop or reduce job opportunities.

The main categories that are affected by poverty are children, refugees, internally displaced persons, the unemployed and the work capable, low-educated and residents of suburban and interurban settlements.

Analysis of the results of economic transition and privatization leads to:

- Low demand for most types of work due to productivity
- Excess supply of labor,
- Imbalance of supply and demand for education policy,
- High levels of unemployment and underemployment cause disincentive of workers and lack of social support.

### *Labor demand*

The type and amount of demand depends on the nature of products and services in demand. It depends on the wages that employers can pay workers, which is again due to labor productivity.

Employment after the war in formal work sector is only two thirds of the pre-war levels with a slight increase of 10%. Employment in the informal sector is problematic to label the informal economy which is characterized by:

- weak contribution of income tax workers and employers in this field, which in addition to competitive pressures demand additional formal sector,
- weak contribution to the funds of workers and employers burdened with the age structure of population and unemployment and emigration of young workers,
- workers in the informal sector do not enjoy the regulated conditions of occupational safety and health protection, difficulties in the regulation of illegal activities related to trafficking, smuggling of goods and service activities of the workers' occupations.

According to the LSMS and employed 999,500 workers in BiH. Of these 638,000 or 63.8% are in the formal sector and 361,500 or 36.2% are in the informal sector. Employed in the informal sector (gray economy) in the Republic of Srpska was 41.4% and higher than 31.9% in the Federation, however, the dimensions of employment in the informal sector are lower.

Analysis of the results of using the definition of unemployment of the International Labor Organization (ILO), Organization for Economic Cooperation and Development (OECD) indicate that only 24% of the total number actually unemployed.

The rest of registered persons, or 24.4% were actually employed or is talking about 51% of workers who do not look for a job (disincentive workers) and 14% of the unemployed are not registered at the Employment Service is really unemployed.

The structure of unemployed workers is dominated by younger women and men in a relation to professional qualifications to unqualified people.

Thus, the actual unemployment rate to the survey (source) in BiH is 16.4% and the Federation share is 16.9% and the Republic of Srpska 15.8%. In a relation to the standards of the OECD these are very high unemployment rates.

Another common source of independent study estimates "is for BiH 837 000 unemployed, of which 598 in FBiH and 239 000 in RS which is 41.8% in BiH (43% in FBiH and 40% in RS) (UNDP, 2001)

### *Employment structure*

The structure of employment has changed in both entities since 1990.

Employment in manufacturing has declined in absolute numbers. Share of administration has increased. The percentage of employees in the sector of trade and in the education sector has increased. According to official statistics from statistical offices (SZ) there is a slightly lower share in year 2000 in these fields and a slightly higher share of public administration but are essentially the same general findings.

According to a survey in Travnik, Zenica and Trebinje, services are between 37% and 47%. The employment in the informal sector refers to the sectors of construction, services and communications.

System measures in the RS have increased the activity of the proper registration of workers. In contribution to these activities are responses of employers through the survey that confirm this hypothesis. That's 43% of employers who hired new workers in the last year in Trebinje and Zenica.

Only 12% of employers in Travnik, 10% in Zenica and 13% in Trebinje expected demand for their products will fall in the incoming year.

Restrictions on expansion activities are lack of demand 35% in Trebinje, 42% in Travnik, and 43% in Zenica,

which is a valid indicator of the purchasing power of the population (Table 5). As a lack of financial investment as the main constraint reported is 35% in Trebinje, 24% in Zenica and 27% in Travnik.

During the last year 43% of employers in Zenica and Trebinje, and 59% in Travnik employed new workers.

The main difficulties in employment are appropriate qualifications in 50% of cases in Travnik and Trebinje and 78% in Zenica.

Interesting fact for our analysis of the data from the survey is that 67% of respondents in Trebinje completed secondary education and 17% completed college and higher education. Here we draw attention to a high level of education while enrollment in secondary schools is lower than the pre-war period with a tendency of further decline.

Worth of pointing out but not of much importance for our topic is insignificant percentage of sexual, age and religious discrimination except for mild benefits of keeping older workers and retirees to the young dynamic and flexible labor force that speak of the degree of transition and the dynamics of the economy.

In addition to the above argument the fact that 50% of the economy triggered by foreign loans. Cost of activities of the international community in Bosnia is from 1995 to 2000 totaled to \$ 8 billion per year (Papić 2002).

According to the research that treat labor force participation rate is very high, 84.6% in Trebinje, 77% in Zenica and 70% in Travnik.

Labor force participation rate in all areas exceeds 75% at the age of 22 to 50 years.

In households with no children below 15 are living 55% in Trebinje, 29 in Zenica and 38% in Travnik. The use and access to the land has 28% of respondents in Zenica, 46% in Trebinje and 45% in Travnik.

### *Social protection*

Pension supplement or welfare is received by 14% in Travnik, 7% in Trebinje and 2.5% in Zenica. Analyses show that most of the unemployed are supported by other family members. Huge number of registered unemployed persons, 95% in Zenica, 78% in Travnik, and 51% in Trebinje, use no health care benefits, although symbolic, say many.

### *Informal sector*

In Trebinje, 20% of respondents, 11% in Zenica and 9% in Travnik have one or more extra jobs.

The share of men in this kind of engagement is higher than the share of women.

In Trebinje, 35% of men compared to 24% of women, ratio in Zenica is 25:16 and in Travnik is 37:26.

Even 54% of respondents in the informal sector in Trebinje, 65% in Travnik and 69% in Zenica, have never worked in the formal sector and are not entitled to social security and health insurance and do not contribute to pension insurance. This group will grow and with it the dependency rate and aging of population.

### *Mobility and orientation*

Work engagement is generally searched locally; none of the candidates doesn't want to seek involvement in the other entity. For the local employment it's 71% in Trebinje, 73% in Travnik and 57% Zenica, in the formal sector.

In Trebinje 23% and 18% in Zenica were not ready to change place of residence or to travel to longer distances in case of the offer of better employment.

Even 84% of the unemployed in Trebinje, 70% in Travnik and 95% in Zenica, expressed willingness to acquire new skills.

A very small number of respondents receive social security pays, pensions or social assistance.

Most people that do not work survive by coping, relying on relatives, family.

### *Labor market*

The labor market in its effectiveness depends on:

- The effectiveness of workers in employment,
- Performance of employers in employment,
- Information on the labor market.

In facilitating the search for a job Employment by EU standards do not play a significant role. Research in Trebinje show that only 19% of employers use services offices, and 36% in Zenica.

More useful method for finding a job is the immediate direct contact.

No person employed in the formal sector requests a new job over employment offices while in the informal sector in Trebinje 15% they look for an alternative job, 35% in Travnik, and 4% in Zenica.

Impacts on institute mobility are: displaced people, travel to work, changes in local labor markets.

Macroeconomic factors are exposed as a limitation of the current expansion to improve the development of employment opportunities.

The labor markets in both entities are much localized.

General long-term unemployment is a phenomenon of a number of old workers with no work experience.

Institutional structures of social welfare and employment offices have been taken from the previous system in which planned operated market (economy) was in place.

Research the standard of living published by the LSMS 2002 show that income per capita of BiH was 5 KM or 1843 per year, which is defined as the official poverty line. In the RS 24.8% of population live below the poverty line, following the 40% that have enough funds for basic needs (Đurašinović, 2003).

High unemployment and a large number of people living just above the poverty are indicators of economy poverty (Miler, 2001).

Important issue in our consideration is that of how much young people are truly represented in decision-making on employment. Most respondents (42%) believe that young people are hardly represented in decision-making on employment. Slightly less (39%) of respondents believe that they are not represented enough. Number of respondents who believe that young people are much more represented (6%) and very much (5%) is insignificant. The question cannot be answered by 9% of respondents. Therefore, there is a belief among young people that they are not represented enough in decision-making on employment.

As for whether the youth organizations can be of help to labor offices, in the prevailing is perception that young people can help. Most (37%) of respondents believe that young people can help a little. The following is a group of respondents (22%) who believe that youth organizations can help a lot to labor offices. Smallest portion of respondents (10%) think that youth organizations can help very much. The same size is portion of the respondents who cannot answer the question.

TABLE 1: YOUNG PEOPLE AND EMPLOYMENT DECISION-MAKING (ĐURAŠINOVIĆ, 2000)

| Question  | Answers in % of respondents |       |        |            |           |
|---|-----------------------------|-------|--------|------------|-----------|
|   | Very much                   | Much  | Little | Not at all | No answer |
| How much are young people represented in decision-making on employment? | 4.5%                        | 5.8%  | 38.5%  | 41.9%      | 9.2%      |
| Can youth organizations be of help to labor offices?                    | 9.9%                        | 21.7% | 37.3%  | 21.2%      | 9.8%      |
| Does pessimism master young people?                                     | 26.7%                       | 27.2% | 27.9%  | 6.9%       | 11.2%     |
| Does individualism master young people?                                 | 8.4%                        | 22.1% | 34.7%  | 11.7%      | 23.0%     |
| How much does the youth policy standardize the youth work?              | 4.4%                        | 13.5% | 36.1%  | 17.9%      | 28.0%     |

## Findings

Quality of life depends greatly on the source of income that the one or the family effected. Sources of income are often associated with working in an official engagement or the informal sector. The research results point to the unemployment in the amount of 20-40%. Adjustments have been biased because of the registration of employment and work in the informal economy (informal sector). A large part of the workforce is on the line of poverty:

- there is an uncertain affair, bound for the local market, without chance to increase revenue,
- suffering the consequences of privatization, unhealthy economic situation, unstable macroeconomic environment, decline in demand,
- lack of political strategies to help facilities, stimulating measures,
- bureaucratic barriers, distrust, impossibility of goods payment, imbalance qualification structure,
- Reorientation of education and training.

## Conclusion

The value and quality of life is in many ways determined by the life standard of general population. Life standard in the Republic of Srpska is only as little above the level of poverty.

That is a very significant indicator of the possibility to achieve better value and quality of life within the sphere of material.

The sphere of spiritual is determined by the material of the sphere.

Considerable number of unemployed, working in the sector of grey economy, low incomes and uncertainty of employment is work un motivating and spiritually depressing to the general population.

The value and quality of life in the Republic of Srpska is lower than in other surrounding countries, and is worse than in the past, which is leading to necessary changes.

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