

# Development and Features of Female Self-employment in Bosnia-Herzegovina\*

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**ABSTRACT** – Transition period, experienced by many countries, has been reflected on the loss of the job security reckoned to be the utmost achievement of the socialist and non-market economies. Instead, the labour market trends and changes during 1990s caused many employees to lose their jobs not only as the surplus work force but as an economic surplus as well. At the same time, new job opportunities decreased, which was primarily reflected on the female labour. Therefore, self-employment has become the main source of new employment that, at the same time, contributes to unemployment rate reduction in many countries. One can conclude that the level of female entrepreneurs' participation in economic development of transition countries is largely related to the conditions in which they work, to support provided by their state, to development of legal regulations and to the rate at which the economic reforms are implemented. With respect to this, one can make clear distinctions between transition countries in which reforms are implemented more slowly and those ones in which such process is carried out more quickly. It is hard to generalize and make a sole conclusion for the most of transition economies. Therefore, the authors specifically chose to analyse and examine the example of Bosnia and Herzegovina, which with its specificities differs from some other countries in the region. There is a strong synergy in Bosnia and Herzegovina between a social role of the woman, her education, profession and position in labour market.

**KEY WORDS:** transition, labour market, self-employment, job opportunities, work force, part-time employment, unemployment rate, female entrepreneurship, Bosnia and Herzegovina

## Factors determining the growth of self-employment in Bosnia and Herzegovina

Most of the East European countries in the process of transition show certain specific features with respect to development of entrepreneurship, and particularly development of a female entrepreneurship. Namely, small and micro businesses became an important source of growth in new employment in these countries, although these potentials have not been fully utilized yet. This unused opportunity particularly refers to women, who despite of their university education and high participation in labour market are becoming entrepreneurs on average in two times fewer number compared to men. This disparity is noticeable in all countries regardless of the level of availability of small and micro businesses in their economies.

Gender asymmetry could be primarily observed at dismissal from work, sectoral changes in employment and job creation in private sector. This might be explained by horizontal and vertical segregation of female jobs, as well as by the position of women in those economies in which the male work force is predominant. In view of that, for many women self-employment turns out to be the only way to achieve a chance of getting a paid job. In other words, most of women opt for self-employment and open micro and small businesses, primarily because of the fact that is the only options to get em-

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ployed, while reasons related to women entrepreneurs in developed market economies are much rarer (a wish for proving themselves in business, the need for independence, a desire to fulfil their business ambitions, to use free time advantageously, perform bigger socialization of women, etc.).

Common trend towards an increase in self-employment in the countries of the ex-socialist block has not bypassed Bosnia and Herzegovina either. A large number of factors influenced this rise. First of all, an enlarged global competition increased pressure on companies to reduce their expenses through much more flexible forms of employment contracts with employees. Attributable to this are also reduced opportunities for formal employment due to low rates of economic growth and the capital-intensive model of economic development. Likewise, development of information technologies and an increasing application of computers at work have influenced that a large number of people choose to work at their homes and to work for themselves.

Despite a large share of the informal sector in the overall labour employment in Bosnia and Herzegovina (Table 1), there are few researches and indicators of such kind. According to scientist F. Schneider (2004)<sup>3</sup>, in the period between 2002 and 2003, 36.7 % of people worked in the informal sector in Bosnia and Herzegovina, while according to estimates of the Economic Policy Research, that percentage was somewhat higher. However, regardless of such high share of the informal sector in the overall employment in Bosnia and Herzegovina, it was approximate to that one in Serbia and other countries in the region.

**Table 1. Rates of employment and unemployment, and share of the informal sector in the overall employment in Bosnia and Herzegovina, in 2001 and 2004**

	2001	2004
Employment rate	40.6	44.9
Unemployment rate	15.9	22.3
Informal sector (% of the total employment)	47.7	42.7

Source: LSMS, 2001 and 2004

In the total structure of the self-employed in the informal economy sector in 2004, men's participation was almost twice as much as that of women. This Table also shows that agriculture with its 43 % has the highest participation in the informal sector self-employment whilst the biggest share in the formal sector self-employment is in the sphere of services with their 60 % (Table 2).

In Bosnia and Herzegovina, there is a strong synergy between a social role of the woman, her education, profession and position in labour market.

Data available on the basis of research show the existence of typically female and typically male professions. There are still very deep stereotypes on desirable occupations and professions women or men are more engaged in. Capabilities of the women in Bosnia and Herzegovina to answer the requests dictated by the labour market are considerably limited. There are numerous factors which affect that fact<sup>4</sup>:

- old-fashioned understanding of a role of a woman in a family and society;
- low level of education and level of information of women in rural areas;
- favouring men during employment;
- weak credit rating (high interest rates, low percent of women who are owners of real estate).

<sup>3</sup> Schneider, F. (2004), "The Size of the shadow economies of 145 countries all over the world results over the period 1999 to 2003", IZA Discussion Paper No.1431.

<sup>4</sup> BOSNIA AND HERZEGOVINA GENDER ACTION PLAN, The Labour and *Employment* Agency of *BIH*, 2002.

**Table 2. Characteristics of the formal and informal employment in Bosnia and Herzegovina, in 2004**

	Informal employment	Formal employment
Total	100	100
Gender		
male	63.7	64.5
female	36.3	35.5
Self-employed	9.9	8.1
Farmers	21.0	-
Economic activity sector		
Agriculture	43.0	2.8
Industry	30.2	37.2
Services	26.8	60.0
Weekly number of work hours	42.5	44.2

Source: LSMS, selectively chosen data in 2004

In most of transition economies, a rise in inequality with respect to earnings that are associated with the level of the informal sector's share in the economy of those countries, which is the case with Bosnia and Herzegovina as well (Rutkowski, 1996)<sup>5</sup>. This inequality of wages is present in the both business sectors.

**Table 3. Average monthly net wage in the formal and informal sectors in Bosnia and Herzegovina, in 2001 and 2004**

	2001	2004
Average monthly income in KM (Convertible Marks)		
Formal sector	398.7	505.2
Informal sector	331.0	391.4

Source: LSMS, selectively chosen data in 2004

Many researches indicate that women particularly lagged concerning the amount of earnings in comparison with men, which is quite similar to other countries of ex-Yugoslavia too, with a slight exception of Slovenia. These differences can be above all attributed to the type of jobs women perform, their levels of education, lower level of information and poorer professional interrelation. For many women, the informal sector and self-employment have become the only chance for a paid job and employment. Many of them started their own business not even knowing how to manage their dealings, to enhance and develop them, to manage human and financial resources. This reflected to the possibility of their businesses' survival as well as to the amount of realized incomes. However, there have been some breakthroughs concerning this. Namely, there were initiated many activities set out in UN Declaration (2000)<sup>6</sup> signed by 189 UN member states. One of the signatory countries was Bosnia and Herzegovina, which particularly advocated that discrimination against women should be reduced and position of women in all spheres of their life and work should be improved.

There are also many indicators that development of the private entrepreneurship in Bosnia and Herzegovina has been still facing with certain restrictions of legal and procedural character. Problems refer to corruption and a long period of time needed to register a private firm and collect the required documentation. According to the report of the World Bank, to establish a firm in Bosnia and Herzegovina it takes 54 days on average, which is the longest time in comparison with all countries in the region.<sup>7</sup>

<sup>5</sup> Rutkowski, J., (1996), "Changes in the wage structure during economic transition in Central and Eastern Europe", World Bank, Technical Paper No. 340

<sup>6</sup> "The UN and MDGs – a core Strategy", June, 2002

<sup>7</sup> Doing Business in 2006, World Bank Survey, 2006

Therefore, for development of entrepreneurship in Bosnia and Herzegovina, a stronger state support is indispensable that would be manifested in changing legal regulations and shortening procedures for establishing small businesses as the basic generators and initiators of economic growth in both developed countries of the world and in the countries with transition economies. It is also necessary to provide financial support to future entrepreneurs through microcredit programs and thus make it possible for many educated people who lost their jobs during periods of transition and privatization to enter the entrepreneurship waters and become self-employed. Besides, lots of university-educated people will not stay somewhere stuck in jobs of inferior quality or less paid jobs with no chance of progressing in career, dealing with and less paid jobs in the informal sector of economy. Finally, we may conclude that thus changed forms of employment, which are directly connected to economic development, transition, globalization and raised competition, require better understanding and new ways of conceptualization of the informal sector of economy.

## Conclusion

Facing massive unemployment and a deficient social welfare system, the promotion of self-employment and microenterprise became a political priority in Bosnia and Herzegovina. Relative to other countries, Bosnia and Herzegovina still suffers from a weak business environment and high barriers to entrepreneurship, as shown by the World Bank's Doing Business (2005).

With an increased inflow of capital in Bosnia and Herzegovina, provision of financial support to small businesses and implementation of all-purpose reforms in economy and society, we may rightfully expect a more significant growth of private businesses in which women will have a more important role.

There will be also created conditions for general improvement of women's position in society who, in the overall economic misfortune of the countries in the region in the last decade, were in the most affected segment of society. It is also expected that founding a number of women's organizations, and their networking similarly to those around the world, will contribute not only to better interrelation of women, their mutual exchange of experiences and knowledge, but to the creation of a new space for their employment through their joint engagement. In addition, granting microcredits for development of the entrepreneurial activities is of extreme importance for enhancement of self-employment and reduction of unemployment. Therefore, the country specially analyzed in this paper is expected to provide a national strategy for development of self-employment, which should disable putting the sign of equality between the informal sector employment and poverty. Also, better attention should be turned towards women and children's work in the informal economy sector, which is poorly paid and which often exceeds the limits of human business activity. In that way, the issue of discrimination, present in most of the countries of the former socialist block, regarding the equality of earnings and right to equal conditions of working and employment (since women are always the first to be dismissed from a job in the process of company privatization and they find a new job with effort). Besides, adequate education and training programs should be accessible to them to prepare them well for self-employment and autonomous management of business activities, in which way the efficiency of new businesses would be raised and conditions for their further development and survival on market provided. Special emphasis should be given to continuous improvement of work force through life-long education, in order to decrease differences between transition economies and the developed world and participate justly in the global market competition where knowledge and a good knowledge management are considered as the key factor of successfulness. Taking into consideration all these elements, a good platform for future development of entrepreneurship could be created and a large space for reduction of unemployment rate in these countries opened, as the unemployment rate is among the highest in the countries with transition economies, which was shown by this research.

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