Social Assessment

Republika Srpska Railways Restructuring Project

Final Version

MINISTRY OF TRANSPORT AND COMMUNICATIONS

October 2, 2017
**TABLE OF CONTENTS**

Abbreviations ........................................................................................................................................... 5

Executive Summary ................................................................................................................................. 6

1 Contextual Background ....................................................................................................................... 10
   1.1 Background information on the economy of Republika Srpska ............................................. 10
   1.2 Macroeconomic situation ............................................................................................................ 10
   1.3 Demographic trends .................................................................................................................... 13
   1.4 Analysis of employment and unemployment in Republika Srpska ....................................... 14
      1.4.1 Analysis of unemployment in Republika Srpska .............................................................. 14
      1.4.2 Analysis of Employment in RS ........................................................................................ 18

2 Project Background ............................................................................................................................. 20

3 Objectives of the social assessment .................................................................................................. 25
   3.1 Methodology ............................................................................................................................... 26

4 Background information on ŽRS ..................................................................................................... 27
   4.1 Legal framework ......................................................................................................................... 27
   4.2 Facts and Figures on ŽRS passengers lines .............................................................................. 28

5 ŽRS Workforce Profile ....................................................................................................................... 30
   5.1 Background on the need for workforce restructuring and previous experience with
       retrenchment ................................................................................................................................. 30
   5.2 Workforce structure and characteristics .................................................................................... 31

6 Legal Framework ............................................................................................................................... 33
   6.1 Regulations applicable to labor restructuring .............................................................................. 33

7 Description of anticipated retrenchment, alternatives, and rationale ........................................... 37
   7.1 Redeployment of workers according to the new organizational structure ................................... 39
   7.2 Retrenchment methods and procedures .................................................................................... 39
      7.2.1 Retirement of employees ..................................................................................................... 39
         7.2.1.1 Old age pension .............................................................................................................. 40
         7.2.1.2 Disability pension .......................................................................................................... 43
      7.2.2 Voluntary leave with incentive payment .............................................................................. 43
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.2.3</td>
<td>Involuntary separation</td>
<td>44</td>
</tr>
<tr>
<td>8</td>
<td>Trade Unions</td>
<td>45</td>
</tr>
<tr>
<td>8.1</td>
<td>Consultations with the Trade Unions</td>
<td>45</td>
</tr>
<tr>
<td>9</td>
<td>Measures to reduce the impact of labour restructuring on workers</td>
<td>47</td>
</tr>
<tr>
<td>9.1</td>
<td>The Role of RS Employment Service</td>
<td>47</td>
</tr>
<tr>
<td>9.2</td>
<td>Role of employment agencies and adults education institutions</td>
<td>48</td>
</tr>
<tr>
<td>9.2.1</td>
<td>Adults education</td>
<td>49</td>
</tr>
<tr>
<td>9.3</td>
<td>The role and support from other stakeholders</td>
<td>50</td>
</tr>
<tr>
<td>9.4</td>
<td>Coverage of affected workers by unemployment and health insurance, or other social security programs</td>
<td>50</td>
</tr>
<tr>
<td>10</td>
<td>Communication on workforce restructuring and grievance mechanism</td>
<td>53</td>
</tr>
<tr>
<td>10.1</td>
<td>Communication on workforce restructuring to employees</td>
<td>53</td>
</tr>
<tr>
<td>10.2</td>
<td>Protection of workers rights and grievance mechanisms</td>
<td>53</td>
</tr>
<tr>
<td>10.2.1</td>
<td>General rules</td>
<td>53</td>
</tr>
<tr>
<td>10.3</td>
<td>Law on amicable resolution of labor disputes</td>
<td>54</td>
</tr>
<tr>
<td>10.4</td>
<td>Grievance redress mechanisms related to workforce restructuring process</td>
<td>57</td>
</tr>
<tr>
<td>11</td>
<td>Summary of mitigations measures and proposed actions</td>
<td>59</td>
</tr>
<tr>
<td>12</td>
<td>Consultation plan</td>
<td>60</td>
</tr>
<tr>
<td>13</td>
<td>Management arrangements for the retrenchment process</td>
<td>61</td>
</tr>
<tr>
<td>14</td>
<td>Compensation, and additional assistance to be provided to retrenched workers</td>
<td>62</td>
</tr>
<tr>
<td>15</td>
<td>Monitoring of the retrenchment process</td>
<td>64</td>
</tr>
<tr>
<td>16</td>
<td>Social impacts of the workforce restructuring and conclusion</td>
<td>65</td>
</tr>
<tr>
<td>ANNEX 1</td>
<td></td>
<td>67</td>
</tr>
<tr>
<td>ANNEX 2</td>
<td></td>
<td>68</td>
</tr>
<tr>
<td>ANNEX 3</td>
<td></td>
<td>69</td>
</tr>
<tr>
<td>ANNEX 4</td>
<td></td>
<td>70</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 1 Unemployment figures in Republika Srpska for the period 2011-2016 ............................................. 14
Table 2. Level of unemployment by locality and level of education .......................................................... 15
Table 3. Comparative analysis of unemployment by level of education ...................................................... 15
Table 4. Analysis of the unemployment duration ......................................................................................... 16
Table 5. Unemployment by level of education and gender ........................................................................ 17
Table 6. Number of employees by level of education ............................................................................... 18
Table 7. Percentage of employees by level of education ........................................................................... 19
Table 8. Mitigation of potential negative impacts ....................................................................................... 59
Table 9. Macroeconomic indicators for Republika Srpska ....................................................................... 67
Table 10. Duration of unemployment by gender and age ......................................................................... 68
Table 11. Analysis of unemployment by duration of unemployment and education level .................... 68

LIST OF FIGURES

Figure 1. Real GDP growth rates (quarterly basis)* ......................................................................................... 11
Figure 2. Impact of changes in the price of food and transport compared to the overall level of prices in RS* ........................................................................................................................................ 12
Figure 3. Comparison of average annual inflation rate in Republika Srpska, Bosnia and Herzegovina and the Euro area ........................................................................................................... 12
Figure 4. Labor productivity, ŽRS 2005-2014 ................................................................................................. 21
Figure 5. Labor productivity by country (2014) ............................................................................................. 21

LIST OF BOXES

Box 1. Eligibility criteria for old age pension - Pension and Disability Insurance Law ........................ 40
Box 2. Pension and Disability Insurance Law ............................................................................................... 43
Box 3. Adults Education Law .................................................................................................................. 49
Box 4. Law on Amicable Resolution of Labor Disputes No. 91/16 ........................................................... 55
Box 5. Interest-based collective labor disputes ......................................................................................... 56
Abbreviations

<table>
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<th>Abbreviation</th>
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<tr>
<td>BAM</td>
<td>Bosnia and Herzegovina convertible mark</td>
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EXECUTIVE SUMMARY

Contextual background

The transition period that occurred in Republika Srpska in the last fifteen years was marked by a number of reforms aimed at establishing macroeconomic stability, sustainable and stable economic development, completion of the privatization process and preparations for EU accession. All these processes were particularly complex and required numerous adjustments in all areas of the economy and society.

Although in recent years remarkable results were achieved thanks to a more favorable macroeconomic environment, continuous progress and reconstruction of the economy of Republika Srpska, multiple issues and obstacles continue to limit faster economic recovery and growth. In addition, the global economic crisis exposed Republika Srpska’s existing macroeconomic vulnerabilities, which after the crisis has suffered from five consecutive years of recession. However, estimates for the next two years predict a more positive outlook, including a higher rate of economic growth and employment levels in the region and expected growth in exports and domestic demand, which in the past used to be supported in part by remittances and foreign investments.

Within this context, the railways sector in Republika Srpska represents a significant mode of transport in RS, in spite of the recent challenges and declines in profitability levels. The financial performance of ŽRS remains poor with financial losses incurred every year. The volume of total operating expenses exceeded total revenues in the period 2007-2014, even after taking into account government support from the Republika Srpska Government’s budget. Total revenues, including government support, was enough to cover only cash operating expenses. The estimate of liabilities related to employees as of March 31, 2018 shall amount to approximately EUR 38.5 million, while total labor costs now exceed total operating revenues. As a result, a large number of reforms is necessary to restructure and modernize the sector in light of mounting spiralling costs, the accumulation of debt arrears related to employees and the deterioration of the company’s financial status.

To help reform the railway sector of Republika Srpska, the World Bank has engaged in dialogues with Republika Srpska Government and Republika Srpska Railways. The World Bank is assisting ŽRS to improve their operational efficiency and regain financial strength in order to respond to market changes and make the company more efficient, competitive and financially sustainable in the long term. The project complements other investment projects in infrastructure funded by the EU and focused on restructuring the railways sectors in line with the EU agenda.

This social assessment represents an in-depth assessment of the rationale and potential effects of the workforce restructuring of ŽRS on its employees. It aims to identify any potential negative effects associated with the workforce restructuring and to propose measures to avoid or mitigate adverse social impacts on the affected workers. The assessment describes applicable principles and procedures to the workforce restructuring process. It highlights legal protections of vulnerable categories of workers and describes available social benefit measures for potentially affected workers. Benefits of restructuring such as more qualified and educated labor force, and more secure employment for workers are identified. The social assessment is also a form of social intervention to inform the restructuring preparation and to prepare the retrenchment plan. Retrenchment plan will serve as management plan to ensure that the implementation of the workforce restructuring process is carried out in a socially responsible manner.
**Principles of workforce restructuring**

The workforce restructuring process will be aligned with the Republika Srpska legal framework, agreements with trade unions and relevant ZRS procedures. The restructuring process will be founded on widespread consultation with affected workers and trade unions and will seek to ensure that the selection of workers for redundancy is based on principles that are fair and transparent and do not discriminate against particular groups.

**Legal framework and benefits provided by national laws**

Bosnia and Herzegovina ratified core ILO conventions and RS Labour Law is consistent with ILO Conventions.

The legal framework for implementation of the ŽRS workforce restructuring process, including railway re-deployment and compensation schemes, includes the following pieces of legislation:

- Law on RS Railways (“RS Official Gazette” No. 19/17),
- Company Law (“RS Official Gazette” No. 127/08, 58/09, 100/11 and 67/13),
- Law on Public Enterprise (“RS Official Gazette” No. 75/04 and 78/11),
- Labor Law (“RS Official Gazette” No. 1/16),
- Pension and Disability Insurance Law (“RS Official Gazette” No.: 134/11, 82/13 and 103/15),
- Law on Veterans, Military War Invalids and Families of Killed Soldiers of Defensive and Fatherland War in RS (“RS Official Gazette” No.: 134/11, 9/12 and 40/12),
- Health Insurance Law (“RS Official Gazette” No.: 18/99, 51/01, 70/01, 51/03, 57/03, 17/08, 1/09, and 106/09),
- Law on Professional Rehabilitation, Training and Employment of Invalids („RS Official Gazette” No.: 37/12 and 82/15),
- Law on Civilian War Victims – Clean Text (“RS Official Gazette” No. 24/10),
- Law on Social Protection („RS Official Gazette” No. 37/12),
- Law on Job Assistance and Entitlements during Unemployment (“RS Official Gazette” No.: 30/10 and 102/12),
- Adults Education Law (“RS Official Gazette” No .59/09 and 1/12),
- Law on Amicable Resolution of Labor Disputes („RS Official Gazette” No.: 91/16),
- Rulebooks made pursuant to the above mentioned laws,
- ŽRS Statute,
- ŽRS Labor Rulebook,
- ŽRS Rulebook on Organization and Systematization of jobs

The Labor Law provides for definition of redundancy for technological, economic and organizational reasons and requires that the Employer prepare the retrenchment program. The law requires that the Employer carry out consultations with unions and employment service on the proposed retrenchment program. National legislation provides that persons who are unemployed as a consequence of redundancy have right to receive unemployment benefits, health and pension insurance.
Social effects of workforce restructuring and mitigation measures

Many of the employees have worked for ŽRS for over 20 years and have built up significant financial and emotional investments with the company (e.g. pension benefits, seniority, organization-specific knowledge). However, due to the nature and specificity of railway jobs, such as train dispatchers, locomotive drivers, etc., it is not easy to re-deploy these workers to other positions within ŽRS. As a result of this situation, it is likely that this group will experience challenges finding new employment, and adequate measures should be thus taken to mitigate the negative impact or avoid disproportionate effects on them.

Other potential social effects are related to the gender distribution of the workforce (female employees in the Transport and Warehousing sector in RS generally represent 18% of the labor force). Although the gender gap is mainly due to the nature of the tasks and activities performed (with men working mainly in operations positions, while women are mostly employed in finance, accounting, legal departments), the workforce restructuring should take a gender element into account throughout the process. This is to avoid that female workers are disproportionately affected by the restructuring compared to male workers. One approach to mitigate this impact would be to ensure that the share of male and female employees is kept constant after the restructuring.

ŽRS should take into account any social effects of the restructuring on employees with disabilities and workers with reduced ability to work, workers with the status of war veterans and or family members of soldiers who lost their lives. This is due to the fact that these employees cannot be easily re-deployed to other posts or units within the company due to the nature and specificity of the tasks performed, and at the same time they can face difficult employment circumstances in the market. As a result, workforce restructuring should try to avoid generating a disproportionate impact on this category.

It is expected that as a result of workforce restructuring, the ZRS will need to reduce the number of workers. This would be needed in order to improve the operational and financial efficiency of the company, and to increase job security for the workers who would continue to work at the company. The expected workforce reduction will be carried out in the period from late 2017 to 2021. The process would rely on the following methods: 1) natural attrition and retirement; 2) voluntary departures; 3) collective redundancy. The trade unions will be consulted on the proposed selection criteria for determining redundant workers. The criteria will be objective, fair and transparent and will include protections of vulnerable categories of workers. All workers who would be affected by the workforce reduction will receive compensation (severance payment), and any outstanding arrears owned to them from the past. The affected workers will have access to counselling services and re-training.

The RS Employment Service provides the following services: information on job opportunities and job placements for workers with different skills and professional qualifications; identification of alternative employment opportunities; advice to retrenched employees on their rights; additional assistance with CVs and interview techniques, and advice on training opportunities and details of other educational qualifications and re-training;
It is suggested that employees that would be affected by the workforce restructuring would benefit from a wide menu of employment support initiatives and job placement measures, going beyond the type of assistance currently provided by the Employment Service. This could include, inter alia, priority for employment with other employers (as unemployed persons as a result of collective redundancy represent a priority group), re-training or additional trainings, training on modern digital communication tools to search information on job opportunities online, employment counselling.

In addition, other alternatives could target capacity building and entrepreneurship courses, innovation trainings and courses on financing for business, focused on developing business activities and other income-generating opportunities. In particular, since affected employees will receive a monetary compensation in case of departure from the company (the payment of severance compensation and accumulated debt owed to employees), they could benefit from skills and knowledge building courses that could help them develop additional employment opportunities using the money received.

The grievance and appeals mechanisms for employees will be established to strengthen the sense of fairness and transparency of the process. Having an appeal and grievance procedure allows to ensure a sense of objectivity and impartiality to the entire process, building at the same time a more socially inclusive dialogue among all parties.

Overall, the workforce restructuring process will generate benefits for the ŽRS workforce, in the sense of increasing the capacity or maintaining the workforce with appropriate qualifications, according to the operating needs. At the company level, the workforce restructuring process can ensure higher labor productivity in the medium and long term due to a more effective and efficient distribution and organization of the workforce, in addition to reduced labor costs for the company. Similarly, ŽRS employees can benefit by the restructuring process in the following manner: (i) employees will have the possibility to receive transitional assistance such as training, counseling, and assistance to develop other income-earning opportunities using the amount received by ŽRS; (ii) the new organizational structure will offer more stable employment prospects for those employees who remain in the railway sector; (iii) all employees will receive arrears owned to them for social and pension contribution, and debt related to meals, and transportation allowances.
1 CONTEXTUAL BACKGROUND

1.1 Background information on the economy of Republika Srpska

The transition period that took place in Republika Srpska was marked by a number of reforms aimed at establishing macroeconomic stability, sustainable and stable economic development, completion of the privatization process and preparations for EU accession. After the disintegration of Yugoslavia (Socialist Federal Republic of Yugoslavia), BiH underwent a civil war from 1992 to 1995, which ended with the Dayton Peace Accord in 1995. The end of the war also saw the division of Bosnia and Herzegovina in two entities: Republika Srpska and the Federation of BiH. Over the last twenty years, RS has implemented several restructurings and adjustments in all areas of the economy and society. Underlying these structural reforms was the need of the RS economy to secure macro stability, support employment in the region and reduce poverty levels.

Although in the last ten years RS has been progressing, it is still constrained by the low levels of economic activity, low volume of investments, the discrepancy between the existing education system and type of skills required by the labor market, the persistently high foreign trade deficit and the low levels of competitiveness. The escalation of the euro-zone debt crisis, which has affected a large number of EU countries in the last eight years, has resulted in a slowdown of the economic activity also in RS, aggravated by the adverse financial and economic conditions affecting the global economy. Following the recovery of the economy in 2010 and 2011, RS was newly affected by the consequences of the crisis in 2014, which were intensified by the particularly adverse weather shocks that hit the country in that year.

However, the analysis of the economic situation for the last three years exhibits a gradual but positive recovery of the economy, with higher growth rates for real GDP and other economic and financial indicators. Starting from 2013, the country has set on a progressive path of recovery and growth, which was temporarily interrupted only by the floods that hit the region in May and August 2014.

1.2 Macroeconomic situation

The level of economic activity in Republika Srpska has shown a higher growth rate in 2016 compared to the previous years, which is likely to persist also in the future. Data show a real GDP growth rate of 2.4% for 2016, higher than the value recorded in the past (see Annex 1). Conversely, quarterly growth rates of GDP for the European Union (28) in 2014 amounted respectively to 1.5%, 1.2%, 1.4% and 1.4%, and to 1.8% and 1.9% for the first two quarters of 2015 (Figure 1). This has been the result also of other economic trends including the fall in oil and food prices on the world market, and the permanent exit of the euro zone from the post-crisis recession. The level of GDP growth in RS was party affected also by the floods that hit the region in 2014 and the droughts in 2015 along with continued deflationary pressures. However, the gradual strengthening of the economy and employment in the region is likely to generate higher growth rates in the future and higher growth in exports and domestic demand, with the latter currently represented in part by remittances. Moreover, higher economic growth will translate in a lower gap of GDP growth rates between Republika Srpska and the EU average, as shown also for the second quarter of 2015 in Figure 1.
Figure 1. Real GDP growth rates (quarterly basis)*

Source: Employment Strategy for Republika Srpska 2016-20, Statistical Office of Republika Srpska, EUROSTAT (seasonally adjusted data)
*Comparison between Republika Srpska, European Union (28) and the countries to which Republika Srpska exports the most

Figure 2 shows the impact of changes in prices of food and transport on the overall level of prices in Republika Srpska in 2014 and 2015. The average rate of deflation in Republika Srpska (CPI) in 2014 was 1.2%, while from January to September 2015 amounted to 1.3% (Figure 3). The two figures confirm the persistence of deflationary pressures in 2014 and 2015 due to falling oil and food prices on the world market. This reduction is particularly evident in the food and soft drinks industry (-2.9%) and transport (-1.2%). By contrast, more recent figures for 2016 show a positive and increasing inflation rate along with an increase in goods prices. Moreover, the economic recovery in developed countries is likely to contribute to the modest growth in oil and food prices and the forecast increase of inflation rates.
Figure 2. Impact of changes in the price of food and transport compared to the overall level of prices in RS*

*Data for 2014 and 2015

Figure 3. Comparison of average annual inflation rate in Republika Srpska, Bosnia and Herzegovina and the Euro area

Source: Employment Strategy for Republika Srpska 2016-20 - Statistical Office of Republika Srpska, IMF.
In terms of investment, FDI are increasingly recognized as one of the major drivers of economic growth in the country. Strategic sectors in which investments tend to accumulate are transport infrastructure, agriculture, forestry and water management, and energy. According to the Central Bank of BiH, actual FDI in 2014 for Republika Srpska amounted to 379.1 million BAM, which corresponds to almost 2.5 times the level shown in 2013, when the total volume of investments was equal to 152.6 million BAM.

1.3 Demographic trends

Specialized entities and regional offices, such as the Statistics Entity Offices and the Breko District Statistics Bureau, are responsible for computing yearly estimates of the total population based on available information. The last Census that was conducted in Bosnia and Herzegovina dates back to 1991 and was initially used as reference year to compute estimates of total population in the following years. However, due to impact of the war and the large migration trends that followed afterwards, this figure has significantly changed in the last ten years.

Based on the latest estimates, a constant decrease in the total population has been shown for the last fifteen years. According to official data, total population of Bosnia and Herzegovina was equal to 3.842 million in 2007, of which about 37.5% was residing in Republika Srpska. Compared to the figures found for the Census in 1991, the population in Bosnia and Herzegovina has decreased by approximately 500,000 persons between 1991 and 2007, which is directly related to the impact of the war and the post-war recovery period. However, this number has further changed in the last ten years following the intense restructuring and development of the country. A large share of the reduction is due to the impact of the war, whilst the remaining share is usually explained by the fact that many citizens have gradually migrated to the neighboring countries. Specifically, the impact of migration trends in and out of the country has been increasingly recognized as a growing factor affecting the total number of inhabitants, accounting for an increasingly larger share of the variation in this figure. Finally, the birth rate in the country also shows a decreasing trend, reinforcing the previous two effects and contributing to the overall reduction in total population.

On the other hand, an increasing share of the population has tended to migrate within the country from smaller rural areas to larger urban centers. This, in turn, has gradually contributed to higher economic and human development in the region. Moreover, this phenomenon of urbanization has led also to the increase in the demand for regional and local passengers transport. It is likely to assume that this growing urbanization trend will continue also in the future, which, coupled with the general within-country migration patterns, will influence the demand for passengers transport.

In terms of population density, data show there is no equal distribution across the territory. Recent figures show that RS total population is above 1,400,000 inhabitants. However, a large part of the population is located in the North of the region (over 100 inhabitants/km²), which includes large urban centers, such as Banja Luka, Doboj, Prijedor and Bijeljina. The selection of the business lines of ŽRS is done taking into consideration population density in the region. ŽRS covers the main centres and towns where the vast majority of the population resides as well as smaller towns and centres where the demand for passenger transport is existent.
1.4 Analysis of unemployment and employment in Republika Srpska

1.4.1 Analysis of unemployment in Republika Srpska

The analysis of the level of unemployment in RS has seen a spike between 2011 and 2013, mostly due to the lagged effect of the financial crisis. Based on available data for the period 2011-2016, between 135,000 and 140,000 individuals were classified as unemployed in RS. However, this number is likely to be larger due to the fact that this figure includes only people registered at the Employment Service. The number of unemployed exceeded 153,000 people in 2011 and 2012, followed by a slow but constant decrease in the next three years. Data collected by ZZRS show that at the end of 2015, 135,585 persons were accounted as unemployed among the active labor force, a decrease of over 17,950 people compared to the situation of December 2011, which totaled 153,535 registered unemployed (Table 1).

Official data on unemployment in RS, depending on the source used, range between 21.5% and 35% of the labor active-age population. However, this figure is likely to change depending on age levels. Based on available data, youth unemployment in RS remains high (up to 40% in 2015), which confirms the assumption that young employees are also among the categories that are most at disadvantage in seeking new jobs.

### Table 1 Unemployment figures in Republika Srpska for the period 2011-2016

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<td>153,458</td>
<td>149,284</td>
<td>142,675</td>
<td>135,585</td>
<td></td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20, ZZRS.
Data collected for the period 2011-2016 (first six months)

Official data published by ZZRS show that compared to 31 December 2014, the total number of unemployed in RS in December 2015 was lower by 7,090 persons – or 5%. Moreover, the year ending December 2015 saw a constant decrease in the number of unemployed persons throughout the year, with figures showing a reduction of 5.7% - or 8,122 persons – between the beginning and the end of the year. As of June 30, 2016, data found that unemployment levels hit a low of 133,041 persons among the active labor force, that is a reduction of 7,253 persons or 5.2% less than the value found for the same period in the previous year. Compared to 31 December 2015, this number has decreased by 2,544 or 1.8%. This trend is likely to persist also in the future, pointing towards a more optimistic outlook on the labor market in the short as well as in the medium term. However, the number of unemployed remains high in absolute terms and represents a growing issue for the economy. Unemployment rate remains close to 25% against the EU average value of 9.2%.

14
<table>
<thead>
<tr>
<th>LEVEL OF EDUCATION</th>
<th>Banja Luka</th>
<th>Bijeljina</th>
<th>Doboj</th>
<th>Prijedor</th>
<th>Sarajevo</th>
<th>Trebinje</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NK</td>
<td>8,265</td>
<td>6,466</td>
<td>6,167</td>
<td>2,754</td>
<td>2,157</td>
<td>2,090</td>
<td>27,899</td>
</tr>
<tr>
<td>PK</td>
<td>678</td>
<td>863</td>
<td>565</td>
<td>139</td>
<td>196</td>
<td>107</td>
<td>2,548</td>
</tr>
<tr>
<td>KV</td>
<td>14,073</td>
<td>9,008</td>
<td>8,335</td>
<td>4,868</td>
<td>4,941</td>
<td>4,791</td>
<td>46,016</td>
</tr>
<tr>
<td>SSS</td>
<td>11,451</td>
<td>7,926</td>
<td>6,200</td>
<td>4,093</td>
<td>5,353</td>
<td>4,469</td>
<td>39,492</td>
</tr>
<tr>
<td>VKV</td>
<td>275</td>
<td>247</td>
<td>193</td>
<td>50</td>
<td>164</td>
<td>94</td>
<td>1,023</td>
</tr>
<tr>
<td>VS (Higher education)</td>
<td>430</td>
<td>414</td>
<td>214</td>
<td>162</td>
<td>232</td>
<td>300</td>
<td>1,752</td>
</tr>
<tr>
<td>TOTAL</td>
<td>4,517</td>
<td>2,893</td>
<td>1,479</td>
<td>1,035</td>
<td>1,215</td>
<td>1,578</td>
<td>13,627</td>
</tr>
<tr>
<td>WOMEN</td>
<td>20,068</td>
<td>14,047</td>
<td>10,402</td>
<td>5,718</td>
<td>7,799</td>
<td>6,813</td>
<td>64,847</td>
</tr>
<tr>
<td>% Of women</td>
<td>50.36%</td>
<td>50.11%</td>
<td>44.80%</td>
<td>43.46%</td>
<td>51.06%</td>
<td>50.44%</td>
<td>48.74%</td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20 - ZZRS.

The analysis of unemployment by level of education presents considerable differences in the period 2011-2015, with the share of unemployed for each education level showing somewhat large variations in the considered time interval. As of December 2015, the majority of unemployed persons from the total of 135,585 had a high-school equivalent qualification or belonged to the category KV (approximately 47,000 persons), followed by unemployed having secondary professional qualification (about 39,781).
Table 3 computes the breakdown of unemployed persons in RS by level of education from 2011 to 2016 (until 30 June 2016). The analysis of unemployment in RS by level of education reveals the reduction in the total number of unemployed with no qualifications and the increase in the number of unemployed having secondary and higher education levels. The percentage share of unskilled workers in the total number of unemployed persons in 2011 amounted to 25.91%, while in 2015 it was equal to only 21.02%. The share of semi-skilled individuals in 2011 was 2.48%, while in 2015 it had dropped to 1.98%. Similarly, the share of skilled workers (category KB in Table 3) in 2011 amounted to 36.26%, while in 2015 it was equal to 34.90%.

Based on the data in Table 3, the rise in the number of unemployed was shown to be largest for individuals having higher-level qualifications. In 2011, the percentage of university graduates was equal to 6.56% of the total, while in 2015 it had increased to 10.17%. The share of unemployed having secondary education increased from 25.98% in 2011 to 29.34% in 2015. This trend continued also in the first six months of 2016.

Table 4. Analysis of the unemployment duration

The analysis of the unemployment duration reveals an optimistic outlook on the total length of unemployment. As of June 30th 2016, the duration of the unemployment period was less than a year for 23.8% of total unemployed persons - which corresponds to the largest group - followed by individuals in the category from one year to three years (22.3%). About 15% persons belong to the category three to five years; 10.7% persons belong to the group from five to seven years, and 7.7% in the category from seven to nine years (Table 4).
However, the number of persons that have been unemployed for over 7 years has remained constant in the last five years and, in the case of individuals unemployed for over 9 years, the number has increased (Table 4). This implies that despite total figures on unemployment show a constant reduction, the structure of unemployed persons has changed, with an increasing share of long-term unemployed. The largest share of persons who are searching for a job for more than nine years are represented by skilled workers (10,756 persons), and workers without skills (8,963 persons), as shown in Annex 2. Following this line, 6,921 persons having secondary education have been unemployed for over nine years in 2016.

The analysis of the duration of unemployment in the period between 2011 and 2016 (data collected until 30 June 2016) indicates a decrease in the number of unemployed people who are waiting to find a job for up to a year, but an increase in the number of unemployed persons waiting for more than nine years (Annex 2). The assessment of the duration of unemployment indicates that about 50% of unemployed persons are likely to find employment within three years since they became unemployed. However, an equal share of the total number consists of individuals that have been unemployed for at least three years, which belong to the pool of long-term unemployed according to the standard economic definition of long-term unemployment.

<table>
<thead>
<tr>
<th>LEVEL OF EDUCATION</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016 (until 30 June)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
<td>Number</td>
<td>%</td>
</tr>
<tr>
<td>NK-1</td>
<td>39,787</td>
<td>25.9</td>
<td>38,247</td>
<td>24.9</td>
<td>33,989</td>
<td>22.8</td>
</tr>
<tr>
<td>women</td>
<td>17,786</td>
<td>24.3</td>
<td>17,184</td>
<td>23.4</td>
<td>15,280</td>
<td>21.3</td>
</tr>
<tr>
<td>2-PK</td>
<td>3,804</td>
<td>2.5</td>
<td>3,612</td>
<td>2.3</td>
<td>3,155</td>
<td>2.1</td>
</tr>
<tr>
<td>women</td>
<td>1,920</td>
<td>2.6</td>
<td>1,853</td>
<td>2.5</td>
<td>1,648</td>
<td>2.3</td>
</tr>
<tr>
<td>3-KV</td>
<td>55,673</td>
<td>36.3</td>
<td>55,605</td>
<td>36.2</td>
<td>53,579</td>
<td>35.9</td>
</tr>
<tr>
<td>women</td>
<td>21,424</td>
<td>29.3</td>
<td>21,385</td>
<td>29.2</td>
<td>20,539</td>
<td>28.6</td>
</tr>
<tr>
<td>4-SSS</td>
<td>39,896</td>
<td>26.0</td>
<td>41,316</td>
<td>26.9</td>
<td>41,830</td>
<td>28.0</td>
</tr>
<tr>
<td>women</td>
<td>23,981</td>
<td>32.8</td>
<td>24,533</td>
<td>33.5</td>
<td>24,533</td>
<td>34.2</td>
</tr>
<tr>
<td>5-VKV</td>
<td>1,634</td>
<td>1.1</td>
<td>1,444</td>
<td>0.9</td>
<td>1,296</td>
<td>0.9</td>
</tr>
<tr>
<td>women</td>
<td>232</td>
<td>0.3</td>
<td>207</td>
<td>0.3</td>
<td>175</td>
<td>0.2</td>
</tr>
<tr>
<td>6-1 VŠ</td>
<td>2,430</td>
<td>1.6</td>
<td>2,238</td>
<td>1.5</td>
<td>2,171</td>
<td>1.4</td>
</tr>
<tr>
<td>women</td>
<td>1,414</td>
<td>1.9</td>
<td>1,290</td>
<td>1.8</td>
<td>1,265</td>
<td>1.8</td>
</tr>
<tr>
<td>7-1 VSS</td>
<td>10,076</td>
<td>6.6</td>
<td>10,731</td>
<td>7.0</td>
<td>12,820</td>
<td>8.6</td>
</tr>
<tr>
<td>women</td>
<td>6,168</td>
<td>8.4</td>
<td>6,671</td>
<td>9.1</td>
<td>8,043</td>
<td>11.2</td>
</tr>
<tr>
<td>7-2 master / master</td>
<td>234</td>
<td>0.1</td>
<td>264</td>
<td>0.2</td>
<td>439</td>
<td>0.3</td>
</tr>
<tr>
<td>women</td>
<td>120</td>
<td>0.2</td>
<td>152</td>
<td>0.2</td>
<td>256</td>
<td>0.4</td>
</tr>
<tr>
<td>8 PhDs</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>5</td>
<td>0</td>
</tr>
<tr>
<td>women</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>IN TOTAL</td>
<td>153,535</td>
<td>100</td>
<td>153,458</td>
<td>100</td>
<td>149,284</td>
<td>100</td>
</tr>
<tr>
<td>women</td>
<td>73,045</td>
<td>100</td>
<td>73,275</td>
<td>100</td>
<td>71,741</td>
<td>100</td>
</tr>
<tr>
<td>% WOMEN</td>
<td>47.58</td>
<td>47.75</td>
<td>48.06</td>
<td>48.35</td>
<td>48.48</td>
<td>48.74</td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20 - ZZKRS. 
Data refer to the period 2011-2016 (first six months) 
From top to bottom, NK-non skilled worker (primary school), PK-skilled worker (1-2 years of vocational school), KV-skilled worker (3-4 years of vocational school), SSS secondary professional qualification (4 years of technical secondary school), VKV – highly skilled worker (5 years of vocational school), VS – two years of university education, VSS- 4 years of university education, Mr – M.Sc. (Master of Science), Dr – Ph.D (Doctor of Science)
The analysis on the reason for being unemployed permits to highlight further insights on the general analysis for unemployment in RS. Official statistics from ZZZRS show that in 2015 the total number of persons that registered their status as unemployed for the first time was equal to 59,166, of which 22,339 had no previous work experience. The remaining part was represented by 36,827 individuals that were formerly employed. Individuals that were formerly employed cited that one of the main reasons for unemployment was the termination of employment, followed by mutual agreement on the contract termination by both parties (employer and employee) and redundancy (e.g. structural and organizational changes implemented by the employer).

In terms of gender composition, an almost equal share of male and female individuals is unemployed between 2008 and 2016 (Table 5). This figure, however, masks a poor gender-wide composition of the labor market (as reported by official statistics), which shows that over 50% male account for the total number of the labor force. As a result, more female than male persons are unemployed in relative terms.

1.4.2 Analysis of Employment in RS

According to Republika Srpska Statistics Office, the level of employment from 2011 to 2016 has changed from 239,988\(^1\) in March 2011 to 249,610\(^2\) in March 2016. Within the economy, ŽRS is classified in the transportation and warehousing sector, which includes industries providing freights and passengers transportation, warehousing and storage for goods, and support activities linked to different modes of transportation. According to the RS Statistics Office, this sector has employed on average 11,000 persons in the last five years, with no significant increases in this number between the start and the end of this period.

<table>
<thead>
<tr>
<th>Table 6. Number of employees by level of education</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MARCH, 2008.</strong></td>
</tr>
<tr>
<td>VSS</td>
</tr>
<tr>
<td>VS</td>
</tr>
<tr>
<td>SSS</td>
</tr>
<tr>
<td>NSS</td>
</tr>
<tr>
<td>VKV</td>
</tr>
<tr>
<td>KV</td>
</tr>
<tr>
<td>PKV</td>
</tr>
<tr>
<td>NK</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20 – RSO.
Data refer to the period 2011-2016 (first six months)
The figure includes only employees and not employers and self-employed
Level of education; NK-non skilled worker (primary school), PK-semi skilled worker (1-2 years of vocational school), KV-skilled worker (3-4 years of vocational school), SSS – secondary professional qualification (4 years of technical secondary school), VKV – highly skilled worker (5 years of vocational school), VS – two years of university education, VSS- 4 years of university education, NSS- higher levels of education compared to the previous groups (e.g. Masters)

The analysis on employement in RS by level of education between 2008 and 2016 shows a positive pattern in the total number of employed persons (Table 6). At the single level of education, however, the underlying trend between 2008 and 2016 differs. Table 6 and 7 unveil structural

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\(^1\) The total number of employed included both employees and employers.
\(^2\) The total number of employed included both employees and employers.
changes in employment levels depending on the level of education considered. A significant increase of the share of highly skilled labor (category VSS) has been recorded for the period 2008-2016 (over 24,000 workers, or more than 173%). At the same time, a slight increase has been shown for employed persons with a secondary education qualification (about 5%), while employees belonging to all other levels of education have decreased. The largest decrease has been shown for semi-skilled workers, which have decreased by approximately 2,400 persons between 2008 and 2015 (i.e., a decrease of 47%). In addition, the number of employees having 3-4 of vocational education (KV) has been reduced by about 7,000 people in 2016 compared to its level in 2008 (a reduction of approximately 21%). However, it is worth pointing out that regardless of the number of employed and unemployed in RS, there is a general tendency towards higher literacy and education levels, which has led to the total reduction of less qualified individuals in absolute terms over time (Table 7).

Table 7. Percentage of employees by level of education

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VSS</td>
<td>13.92%</td>
<td>19.08%</td>
<td>20.58%</td>
<td>22.53%</td>
<td>23.07%</td>
<td>24.16%</td>
<td>24.57%</td>
</tr>
<tr>
<td>VS</td>
<td>7.25%</td>
<td>6.33%</td>
<td>5.82%</td>
<td>5.58%</td>
<td>5.07%</td>
<td>4.81%</td>
<td>4.45%</td>
</tr>
<tr>
<td>SSS</td>
<td>41.33%</td>
<td>42.80%</td>
<td>43.18%</td>
<td>42.70%</td>
<td>43.36%</td>
<td>43.38%</td>
<td>44.62%</td>
</tr>
<tr>
<td>NSS</td>
<td>2.21%</td>
<td>2.26%</td>
<td>1.88%</td>
<td>1.91%</td>
<td>1.76%</td>
<td>1.75%</td>
<td>2.01%</td>
</tr>
<tr>
<td>VKV</td>
<td>4.86%</td>
<td>4.15%</td>
<td>4.17%</td>
<td>3.87%</td>
<td>3.61%</td>
<td>3.51%</td>
<td>3.18%</td>
</tr>
<tr>
<td>KV</td>
<td>19.47%</td>
<td>16.66%</td>
<td>16.21%</td>
<td>15.89%</td>
<td>15.80%</td>
<td>15.37%</td>
<td>14.61%</td>
</tr>
<tr>
<td>PKV</td>
<td>2.69%</td>
<td>2.02%</td>
<td>1.85%</td>
<td>1.62%</td>
<td>1.64%</td>
<td>1.44%</td>
<td>1.36%</td>
</tr>
<tr>
<td>NK</td>
<td>8.26%</td>
<td>6.71%</td>
<td>6.31%</td>
<td>5.90%</td>
<td>5.69%</td>
<td>5.59%</td>
<td>5.20%</td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20 – RSO.
Data refer to the period 2011-2016 (first six months)
The figure includes only employees and not employers and self-employed
Level of education; NK - non skilled worker (primary school), PKV - semi skilled worker (1-2 years of vocational school), KV - skilled worker (3-4 years of vocational school), SSS – secondary professional qualification (4 years of technical secondary school), VKV – highly skilled worker (5 years of vocational school), VS – two years of university education, VSS- 4 years of university education, NSS- higher levels of education compared to the previous groups (e.g. Masters)
2 PROJECT BACKGROUND

Republika Srpska has identified the restructuring of the railway sector among the most urgent priorities to improve public finance and ensure high-quality provision of railway services. The modernization of the railway sector has been designed to reform the enterprise to perform the functions of public passenger rail transport services and rail transport of goods in accordance with the principles and directive of the EU. The railways reforms are one of the requirements in the conditions of the EU-Bosnia and Herzegovina Stabilization and Association Agreement (2015). The obligation is to harmonize sector policies with the ‘EU railway acquis’, which constitutes the EU railway framework of directives and regulations on railways sector.

Republika Srpska Railways is a public railways company operating in Republika Srpska, one of two Entities in Bosnia and Herzegovina, and providing railways infrastructure management and railways passenger and freight transport. ŽRS performance in terms of freight traffic density is remarkable compared to other countries in the region (approximately 1.2 million tonnes/route-km) and is close to the EU average. In 2015, the company transported around 5 million tonnes for 428 million net tonne-km (ntkm). This has allowed the company to generate a considerable amount of revenues from its freight operations compared to its operating costs. On the other hand, passenger rail transport is marginal to the overall transport system in Republika Srpska, carrying approximately 460 passengers/day. Passengers volume has declined in recent years and train occupancy is now equal to about 14 passengers/train (excluding transport of railways workers and their family members), or equivalently to less than half a bus-load.

The driving force behind the necessity of implementing an adjustment of the railway sector is the understanding and awareness of the poor financial conditions regarding infrastructure and passenger services maintenance and development, followed by decreasing profitability in multiple lines and outstanding arrears related to employees. Future reforms and restructuring are thus necessary to make the railway system more cost-effective and sustainable.

In particular, the company’s financial position has deteriorated. Annual deficits have increased year after year even when taking into consideration budget support from the RS Government. Passengers unit revenues are smaller than the costs related to passengers services, and represent 16% of total operating costs. In addition, spiraling costs related to employees have a disproportionate impact on the company’s cost structure and contribute to weakening ŽRS financial status.

Current labor costs (employees’ salaries, taxes, social contributions) are partly related to underfunded passengers losses and partly to employment policies in the railway sector. The amount of revenues, including budget support, is now sufficient to cover only cash operating expenses. The amount of outstanding liabilities related to employees are mainly due to unpaid social contribution and taxes. Despite the reduction of the labor force that has occurred in the last six years, ŽRS still faces severe financial distress, with total labor costs now exceeding total operating revenues.

In addition, labor productivity of ŽRS is about a quarter of the EU value, which remains low even when accounting for the technological gap (Figure 4). As shown in Figure 5, estimation of labor productivity for ŽRS (measured as average traffic units per total employee) in 2015 was equal to 146,000, which is the lowest value found in the region (except for Albania). ŽRS is overstaffed due to employment policies rather than actual business needs. Despite a reduction in the number of workers between 2010 and 2014 (Figure 4), ŽRS still has more employees compared to 2005 and the highest number of employees/route-km of any railway in the region.
As a result, the restructuring of the labor force of the railways is necessary to ensure the profitability and financial sustainability of the sector in the long term. The adoption of railway labor restructuring programs would contribute to improve efficiency levels and ensure competitive benefits in the European railway market. Moreover, it would significantly improve the performance of the railway sector and nearly eliminate the net operating cost deficit.

The BiH Railways Modernization Project (RMP) aims to support the development of the railways sector in BiH through a series of reforms and investments in Republika Srpska Railways. The project aims to promote the provision of rail transport services which are more responsive to the needs of a more liberalized market economy, reducing at the same time the burden on the state imposed by the growing losses of the sector. From a long-term perspective, the project aims at
ensuring that the entity will settle on a financially sustainable strategy, making the railway sector more competitive and commercially-focused.

In order to respond to this challenging situation, a series of interventions were set out to ultimately achieve the following goals:

- Achievement of renewed financial and operational profitability;
- Reduction of current labour force through a workforce optimization process;
- Improvement of the quality of transport services offer;
- Higher standards in rail transport and adjustment of railway carriers operations in view of more market competition and liberalization;
- Increased volume of transport through improve and more effective railway services;

The changes in transport structure will require significant and complex restructurings that will be assessed against the following measures and objectives:

- Improved labor productivity (measured in terms of transport unit – per passenger-km and tonne-km) per employee;
- Improved transport efficiency (measured as operating costs per tonne-km and per passenger-km);
- Implementation and adoption five-years business plan ensuring financial sustainability;
- Improved readiness for implementing the sector reforms as measured in account separation between freight and passengers operations and activities and the publication of the network statement.

In line with the principles, assumptions and methods underpinning the railways restructuring, the project consists of three components:

**Component 1: Financial restructuring**

Relieving ŽRS of this historical debt burden contracted from IFIs and bilateral loans is a condition to ensure the financial sustainability of the company and to comply with the EU rail acquis. This will be achieved through a debt-to-equity conversion to be implemented by RS Government. However, the payment of existing and accruing debts towards the employees is a pre-condition for this process.

The estimated liabilities of ŽRS to its employees, as of March 31, 2018, shall amount to 38.5 million EUR. These include direct debts to employees for benefits and allowances, tax contributions related to such benefits, and interest and expenses related to litigation with respect to these amounts. The repayment of debt to employees prior to a worker retrenchment program is not only an issue of social responsibility but also an important enabler of financial restructuring because, if they were to remain creditors of ŽRS, the employees could seriously hinder restructuring proposals in the bankruptcy court.

ŽRS will use proceeds of the Bank’s loan to repay the company’s outstanding debts to employees and related debts and thereafter, under the protection of the Republika Srpska bankruptcy court, the Republika Srpska Government will implement the debt-to-equity conversion, freeing ŽRS of all
existing debts.

Component 2: Workforce restructuring

Workforce restructuring is an essential element of Project design as employment and labor costs are currently at unsustainable levels. Currently, ŽRS has about 3,100 employees and its labor productivity\(^3\) is around 146,000 TU/employee, the lowest in the region (other than Albania) and about a quarter of the EU average. ŽRS has more employees than it had in 2005, as result of previous job creation policies rather than commercial needs, and the highest number of employees/route-km of any railway in the region.

Labor costs are, as a consequence of excess employment, a disproportionate component of the cost structure of ŽRS. In 2014, the wage bill was 64 percent of operating expenses\(^4\) and 108 percent of commercial revenues (excluding Entity subsidies).

This component will include (i) support for compensation packages for up to 1,000 employees over the period 2017-2021, (ii) transitional assistance such as training, counseling, and assistance to develop other income-earning opportunities using the amount received by ŽRS and (iii) implementation of a Human Resources (HR) management system to introduce compensation based on performance and to provide up-to-date information on staff structure.

A certain number of retrenched workers will also be eligible to benefit from the activities of the WB funded Employment Support Project (P152347), which will in particular finance targeted wage subsidies, on-the-job training, and self-employment program.

Component 3: Organizational restructuring

The objective of the organizational restructuring is to harmonize organizational structure with the EU railway framework of directives and regulations (the ‘EU railway acquis’) while at the same time creating clarity, focus and independence in infrastructure and operating roles. This is intended to improve the commercial management of each function and enhance their ability to determine their own business strategies in the context of a European railway system in which each will have different opportunities and constraints, and sometimes different interests. Specific objectives of this component include:

- Planning and implementation of a new, more commercial ŽRS organization structure consisting of a corporate core plus two independently managed and separately accounted business divisions, one for infrastructure management and one for transport operations. Within the operating department sector accounts would be kept for freight business and passenger business.
- Specification, procurement and implementation of a modern and effective financial accounting system including core general ledger functionality, accounts, payroll, assets and inventory, funds management etc: specification and application of such system must be

\(^3\) Average traffic units per employee, where the total traffic units are the sum of tonnes-km and passenger-km.
\(^4\) Defined for this purpose as expenditures related to materials, fuel, electricity, salaries and allowances, outsourcing and other services, and depreciation.
geared to railway businesses and the specific financial and enterprise resource planning, budgeting and management needs of ŽRS’s independently managed divisions.

- Specification and implementation of (i) a railway infrastructure asset management system for the Infrastructure Division and (ii) a rail operations asset management system for the Operating Division.

- Development of commercially-driven and financially attainable and sustainable medium-term (2019-2023) Business Plans (including marketing plans), based on good railway practices and experiences, for the constituent divisions and subsidiaries of ŽRS;

- Development, adoption and implementation of a multi-annual Public Passenger Services Contract (PSC) to be agreed between ŽRS (Operating Division) and government of RS together with proposed annual contract prices and payment arrangements consistent with the Operations Division Business Plan for passenger services.

- Development, adoption and implementation of a multi-annual Infrastructure Contract (MAIC) and proposed contract price and payment arrangements to be agreed between ŽRS Infrastructure Division and government of Republika Srpska consistent with the Infrastructure Division Business Plan.
3 OBJECTIVES OF THE SOCIAL ASSESSMENT

This social assessment is designed within the framework of the railways modernization process by focusing on the restructuring of ŽRS labor force. The report offers analysis of relevant legislation, detailed assessment of the company’s labor force, socio-economic aspects of the impact of the labor force restructuring on the employees and the community, and any potential issues and mitigation measures related to the social impacts of the restructuring.

The social assessment offers a set of process and analytical tools that: (a) assess distributional impacts of the restructuring within the company; and (b) engage relevant stakeholders throughout the restructuring process. In order to answer the set objectives, this report conducts an analysis to evaluate the potential consequences of the labor reforms on the welfare or wellbeing of different social groups of employees, with particular focus on the most vulnerable groups (e.g. employees with disabilities and war veterans). The ultimate goals of the report are:

   a) to assess social, economic and distributional impacts of the RS Railway labor restructuring process on different groups, focusing on employees who will leave ŽRS;
   b) to identify the best measures to improve the employees’ chances of re-engaging in economic activities after leaving ŽRS.

This social assessment thus generates a detailed assessment of (i) socio-economic profile of ŽRS employees, (ii) legal framework applicable to the labor force restructuring, and (iii) potential positive and negative effects of the restructuring plan and workforce reduction along with adequate mitigation measures. To this end, all relevant categories of ŽRS employees are identified and key aspects and issues related to the restructuring process are analyzed. This social assessment is also a form of social intervention to inform the company restructuring process and to prepare the future action plans.

This social assessment is structured around 16 sections in total (including introduction, project background and objectives of the SA) as follows:
- Section 1 summarizes background information on RS and gives a brief description on the economic outlook in the region;
- Section 2 presents relevant information on the project;
- Section 3 provides scope and objectives of the SA;
- Section 4-5 present key information on ŽRS structure and organization, operations and activities and main facts and figures on the company’s workforce;
- Section 6 provides detailed information on the legal framework for the labor force restructuring;
- Section 7 presents the description of anticipated retrenchment, alternatives, and rationale of the retrenchment;
- Section 8 presents key information on the railways Trade Unions;
- Section 9 describes relevant measures to reduce the impact of the labour restructuring on workers;
- Section 10 analyzes notification on the labor restructuring and grievance mechanisms;
- Section 11- 15 summarize relevant information on mitigation measures (11), consultation plan (12) management arrangements (13), compensation and assistance to retrenched workers (14) and monitoring of the retrenchment process (15);
- Section 16 presents key findings of the social impact of the restructuring and main conclusions from the assessment;
3.1 Methodology

The following procedures were used in the preparation of the final social assessment:

- Desk review of main documents, policies, data and information (primary and secondary data and information)
- Review of recent reports and studies on the region’s economic outlook
- Meetings with ŽRS Management and relevant ministries
  - The review of suggestions and comments received during consultations with key stakeholders.

The draft social assessment was disclosed in the local language on the ZRS website on July 24, 2017, and in English on the World Bank Infoshop on July 25, 2017.

This final social assessment document is a result of consultations with relevant stakeholders including trade unions during September 2017. The views and suggestions received from key stakeholders during consultations are reflected in this final version of the social assessment.
4 BACKGROUND INFORMATION ON ŽRS

Republika Srpska Railways a.d. Doboj is a public railways company active in Republika Srpska, one of two Entities in Bosnia and Herzegovina. ŽRS operates in the form of a joint stock company, with the majority of shares in the ownership structure of the company’s core capital owned by Republika Srpska.

Republika Srpska Railways was established in 1992 through a RS Government Decision. The company operated as a state-owned company until 2002, and thereafter was transformed into a joint stock company, which endures until today. The capital ownership structure of the company is divided as follows:

- 64% to RS Shareholding Fund (government share), which used to be larger in the past
- 10% to Pension Reserve Fund (PREF)
- 5% to the Restitution Fund
- Small shareholders (natural persons and legal entities 21%)

Although the majority of ŽRS capital is owned by RS and other public funds, over 20% of the shares are owned by natural persons and legal entities as well as by small shareholders, which in turn has a significant impact on the overall restructuring activities, among which the labor force restructuring.

The internal macro-organization of the company consists of the following divisions:

a) Common Affairs: it provides technical support related to multiple aspects, including legal, HR, general, financial-accounting, real-estate management, public procurement and sale, planning and analysis, internal control, strategy and development, information systems and information technology, PR, international relations and cooperation, internal safety and protection, aspects.

b) Infrastructure: it provides railways infrastructure management, maintenance and construction, as well as railways traffic management;

c) Operations: responsible for public transport of passengers and freight as well as railways rolling stock maintenance.

These categories represent the three main dimensions around which the company is structured. Although each segment is responsible for only a subset of the total business and internal activities, the single functions and activities performed by each category are usually dependent and inextricably related to one another.

RS Government appointed ŽRS to perform the role of public railways infrastructure management, as well as organization of railways passenger transport of public interest. This gives ŽRS a prominent role at RS level as it represents for the time being the only (state-owned) railways infrastructure manager and railways operator in this Entity, classifying it among the most important public enterprises in RS.

4.1 Legal framework

ŽRS operations are governed by RS Law on Railways, BH Law on Railways and other general regulations of RS and BH. In addition, other applicable by-laws and European directives and decrees are found to be relevant to regulate the activities performed in the railways sector.
4.2 Facts and Figures on ŽRS network

The ŽRS railway network consists of 426 route-km (of which 353 route-km are in use) making it one of the smallest networks in the Western Balkans region. The backbone railway route is the east-west line from the border with Croatia via Novi Grad, Banja Luka and Doboj. There it meets RS’s section of the north-south Pan-European Railway Corridor Vc (which constitutes part of the Indicative Extension to the TEN-T Mediterranean Core Corridor). It also provides a link eastward from Doboj to ŽFBH’s network centered on Tuzla. The operational network is standard gauge (1,435mm) predominantly single track (94 percent) and electrified at 25 kV (88 percent). The maximum rated design speed on the main line is generally 100km/h, and many sections have been rehabilitated to this standard.

ŽRS freight traffic density is high compared to neighboring countries and is comparable to the EU average. Traffic density is about one million tonnes/route-km - about 80 percent of the EU average - taking into account the entire network and 1.2 million tonnes/route-km which equals the EU average considering only the network length currently in use. In 2015, it carried around 5 million tonnes for 450 million net tonne-km (ntkm), an average distance of 91 km. Freight traffic has been increasing modestly since 2005 other than a temporary drop in 2009 coincident with the global financial crisis. Domestic traffic (which for freight includes the inter-Entity traffic) comprised 1.9 million tonnes (38 percent), import and export traffic was 1.3 million tonnes (26 percent) and transit traffic 1.8 million tonnes (36 percent).

Freight is dominated by bulk cargo. The main commodities are iron ore, bauxite, aluminium, hydrated aluminium, alkali and coal. The iron ore is about 40 percent of the total 2015 volume by tonnes, with the main user of the iron ore (and the largest client of ŽRS) being Arcelor Mittal Zenica in FBH (2.02 million tonnes of iron ore were transported by rail from RS to FBH in 2015). Locomotives are sometimes changed at the boundary of the two railways but when necessary (for example, the receiving locomotives not available) are run through by mutual agreement. Other bulk commodities including coal, bauxite, aluminium, hydrated aluminium and alkali are transported on various routes, mainly to Alumina Zvornik Novi (0.46 million tonnes in 2015).

According to official data on railways transport, the total number of passengers and kilometers per passenger have been steadily decreasing in the last twenty years. In 1998, official data showed that 1,570,000 passengers were transported, while in 2008 this number had been decreased to 728,000, a reduction of over 50%. However, data for 2015 reported that only 177,200 passengers were being transported by train, which overall generated 838,326 BAM in revenues that year, or approximately 1% of total revenues for that year. A similar pattern has been found also with respect to the average length of trips per passenger. According to the latest data, the average number of kilometers per passengers is currently 70 kilometers.

The underlying reasons behind the decreasing trend in passenger transport are multiple and include, among others, outdated and inefficient rolling stock, outmoded passenger railway stations, lack of more modern transport services, increasing competition from roads transport and other structural deficiencies in the system. However, in most European countries, railways passenger transport is a significant segment of the total passenger transport. As a result, and in light of the historical role played by ŽRS in providing passengers transport in the broader region, both RS Government and

5 Because a substantial proportion of traffic is inter-entity the tonnes carried by each of BiH’s railway are not additive. However, the net tonne-km, a measure of traffic task within each entity, are additive.
ŽRS have reinforced the importance of implementing a set of reforms to modernize the railway sector and regain competitiveness vis-à-vis current European standards.

ŽRS lines benefit from the strategic position of Republika Srpska, which represents a key factor affecting the demand for both domestic and international railways passengers transport. ŽRS networks are located in strategic locations connecting geographically passengers in Croatia, Serbia, Montenegro and the Federation of BiH. RS geographical position as well as its territorial disposition have been conducive to promoting dense and frequent railways passenger traffic ultimately aimed at enhancing mobility options for passengers and increasing connectivity among different locations. This, in turn, has fostered both domestic and international passengers transport, with more frequent and dense passengers traffic flows especially in proximity of the largest cities and urban centers of RS.

On a similar account, the Pan-European Transport Corridors, including Corridor V and Corridor X, have also been found to be beneficial for keeping the demand for passengers transport high. This is enabled by the possibility to connect Budapest and Osijek through Vukosavlje and Doboj and similarly to link current lines to Ploce Port on the Adriatic Coast. This, in turn, has fostered stronger regional integration and cohesion within RS, and has contributed to connect the largest urban centers and cities with high population density, ultimately encouraging a higher urbanization rate. As a consequence, the selection of passengers lines of ŽRS is closely related to the location of the most developed urban centers and the largest transport and infrastructure networks in the region.

As a result, the set of reforms that will be implemented within the general restructuring and modernization of ŽRS will be designed whilst taking into account the importance of ŽRS - and of the railways sector in general - in fostering economic development and wellbeing in the country and promoting higher integration and mobility in the region.
5 ŽRS WORKFORCE PROFILE

5.1 Background on the need for workforce restructuring and previous experience with retrenchment

In the last ten years, RS has undergone significant changes in terms of number of employees working for the company. Between the beginning of 2006 and the end of 2010, the total number of employees working at ŽRS has increased from 3,077 to 3,634, that is over 550 workers in five years or, equivalently, 110 employees hired every year. This unprecedented increase in the labor force, however, has not been matched by an equal increase in the volume of operating revenues over the same period.

At the end of this period, in light of spiralling costs, including increased contribution rate, extension of taxable part of personal income and increase in minimum labor costs, and no significant improvements in labor productivity, this process took an opposite turn. Starting from 2011, ŽRS began to move gradually in the direction of a reduction of the labor force. This reduction was implemented by limiting new hires and monitoring the level of the current labor force against actual needs.

In the last five years, the number of employees has decreased from 3,634 at the end of 2010, to 3,098, based on the data for April 2017. This has been mainly the result of natural attrition, which has led to the reduction of 536 workers over the period of five years. However, if one looks at the trend in total workers over the last ten years, it is possible to notice that the figures for April 2017 closely resemble the initial number reported for 2006. In other words, ŽRS took five years to cut down on the workforce to the 2006 level.

On a similar account, alongside with the changes in the number of employees before 2011, a process of re-deployment took place, in which employees were often relocated to different positions, in instances when they did not fulfil the minimum requirements in terms of qualification (approx. 700 employees). Although the process of re-deployment was revised after the audit of the RS Main Office for Public Sector Auditing, in a sense to achieve higher workforce efficiency, it is estimated that currently 560 workers are still assigned to positions for which a higher level of education/qualification is required compared to the one they have.

The retrenchment program that was carried out between 2002 and 2004 following the first reduction of the workforce was in line with applicable regulations and in agreement with the Trade Unions of railways workers. The number of employees was reduced by 746 and the total amount of severance payments totalled 2,685,620.00 BAM – or equivalently on average 3,600 BAM per employee. It is of merit to highlight that the severance payment offered to employees during the restructuring corresponded to the average severance payment that was established by the Labor Law and was in place at that time. The legal framework for calculating and defining the amount of severance payment per employee was determined on the basis of the Rulebook on Labor, Republika Srpska Railways a.d. Doboj Rulebook (Jul 2001, Rulebook Amendments NO 13737/03 of October 20, 2003), and Republika Srpska Railways a.d. Doboj Collective Agreement (March 1998).

According to the Labor Law, General Collective Agreement signed on March 21, 2006, Special Collective Agreement for Transportation and Communications signed on July 26, 2006 and the ŽRS Collective Agreement which was in effect until December 2015 granted the ZRS employees rights and benefits. The Company was not able to provide these benefits to the employees. In the last five years, the growing accumulation of debt arrears related to labor force has sparked higher
dissatisfaction among employees. A significant number of employees have resorted to initiate lawsuits against the company, which have further deteriorated the financial position of ŽRS and intensified the level of discontent among the labor force. As a result of these disputes, the total amount of liabilities of ŽRS have increased.

In light of the current challenges faced by the company, a series of interventions have been designed by relevant stakeholders to conduct the labor force restructurings through a workforce optimization process. Within this context, a new Rulebook on Organization and Systematization of jobs has been developed by the Management of ŽRS to provide an in-depth analysis and assessment of actual needs of the labor force. In addition, this allows to inform the design of the reforms and the type of measures that can guide the restructuring process (e.g. which elements or criteria related to employees should be considered in view of the planned restructuring, the type of compensation that should be offered to employees affected by the restructuring).

5.2 Workforce structure and characteristics

Based on data collected for April 2017, ŽRS employs 3,098 workers, 3,025 of which have open ended contract, 67 fixed term contract and 6 are interns.

The main characteristics of the current structure of the workforce of ŽRS are summarized below and described in detail in this section:

- Major gender differences in the workforce;
- Over-representation of employees aged over 50 compared to other age groups;
- Broad range of general as well as technical positions within the company;
- Different health requirements (health groups) depending on the type of job performed in the company (e.g. operational services);
- Substantial number of employees with disabilities and special needs and workers with reduced ability to work;
- Significant number of positions for which workers are entitled to increased years of service for their pension benefits due to difficult working conditions;
- Participation of workers with the status of war veterans and family members of soldiers who lost their lives;

Gender

As of April 2017, men employees account for 85% of the workforce (2,636), while female employees are only 15% of the total number (462). The gender difference is mainly explained by the fact that the vast majority of positions in ŽRS is composed of operations positions that involve physical activities and which, as a result, are more likely to be performed by a male labor force. Female employees, on the other hand, are generally employed in administrative positions or in other sections of the company where no physical work is needed (finance, accounting, legal). This finding holds also at the level of the general economic category “Transport and Warehousing” to which ŽRS belongs, with female employees being only 18% of the total labor force. For this reason, the restructuring process will seek at least to maintain the current share of women employees in the current labor force, paying particular attention to the protection of women having children with special needs.

Education
ŽRS employees have on average high school education qualifications, with over two-thirds having up to high-school equivalent qualifications and approximately 20% of the total with no qualifications or being only semi-qualified. Less than 10% of the workforce has a completed university-equivalent qualification and 518 workers have higher levels of education. The most frequent category is high-school qualification, with about 1,300 employees having completed high school education or high-school equivalent (e.g. vocational trainings).

**Age**

In terms of age structure, approximately 50% of the total labor force is composed of employees aged over 50. In addition, some of the employees over 50 no longer meet the physical and health requirements to perform operational services, which are listed in the regulation for health conditions of railways workers employed in operational services. However, due to the nature and specificity of the work performed, it is not possible to re-deploy these workers to other positions within the company or to hire younger workers to fill these positions. On the other hand, looking at current labor market trends, this category is found to be more vulnerable due to the fact that they have developed specialized skills that cannot be easily transferred to other positions available in the market or that are not equally convenient. Over 100 employees will naturally retire pursuant to the current Labor Law by the end of 2020. However, the number of employees that fulfil the requirements for retirement according to the Pension and Disability Insurance Law (PDI Law) is significantly higher, with over 600 employees that will be eligible for retirement by the end of 2020, or almost 20% of the current labor.

The share of new, young workers that could be selected to replace workers that will retire in the next three years, is relatively small. Less than 10% of the total workforce is aged under 30. As a consequence, this category has also a lower number of years of experience and is likely to be currently employed in less technical or specialized positions. However, this category is found to have a higher level of education compared to any other age categories.

**Employee qualification**

About 561 employees out of 3,098 lack minimum qualifications to perform their job. This represents almost 20% of the total workforce. However, this figure presents differences at the organizational unit level. In particular, about 30% of total employees in Infrastructure and Economic Affairs do not meet minimum qualification requirements, followed by 20% of employees in the Legal Affairs Department and 13% of employees in Operations.

**Vulnerable categories of employees**

Another important characteristic of ŽRS workers is related to the high number of employees with various levels of disabilities or with reduced ability to work. The share of employees in this category is approximately 15% (almost 500 people). As a consequence, particular attention will be devoted to these workers in compliance with relevant legislation so as to avoid violation of any of their rights and at the same time ensure adequate management of this category of workers. To this end, the Management and all other stakeholders involved, will look to find adequate solutions to meet the rights of this category of employees, whilst complying with the restructuring requirements and retrenchment process.

Another sensitive issue is related to the protection of workers with the status of war veterans, as these categories are seen of high regards in the society. The Labor Law does not grant them any
special rights compared to other workers, which makes it all the more important to adequately take into account this category within the restructuring.

6 LEGAL FRAMEWORK

6.1 Regulations applicable to labor restructuring

Laws in RS are enacted by the National Assembly of Republika Srpska. RS legislation is harmonized with international and European conventions and regulations in all important aspects. Within RS Parliament, there is the European Integrations and Regional Cooperation Committee which reviews each piece of legislation and checks its consistency with European Union legal system, before adoption by the Parliament.

Bosnia and Herzegovina ratified core ILO conventions and RS Labour Law is consistent with ILO Conventions.

The legal framework for implementation of the ŽRS labor restructuring process, including railway re-deployment and compensation schemes, includes the following pieces of legislation:

- Law on RS Railways (“RS Official Gazette” No. 19/17),
- Company Law (“RS Official Gazette” No. 127/08, 58/09, 100/11 and 67/13),
- Law on Public Enterprise (“RS Official Gazette” No. 75/04 and 78/11),
- Labor Law (“RS Official Gazette” No. 1/16),
- Pension and Disability Insurance Law (“RS Official Gazette” No.: 134/11, 82/13 and 103/15),
- Law on Veterans, Military War Invalids and Families of Killed Soldiers of Defensive and Fatherland War in RS (“RS Official Gazette” No.: 134/11, 9/12 and 40/12),
- Health Insurance Law (“RS Official Gazette” No.: 18/99, 51/01, 70/01, 51/03, 57/03, 17/08, 1/09, and 106/09)
- Law on Professional Rehabilitation, Training and Employment of Invalids (“RS Official Gazette” No.: 37/12 and 82/15)
- Law on Civilian War Victims – Clean Text (“RS Official Gazette” No. 24/10),
- Law on Social Protection (“RS Official Gazette” No. 37/12)
- Law on Job Assistance and Entitlements during Unemployment (“RS Official Gazette” No.: 30/10 and 102/12),
- Adults Education Law (“RS Official Gazette” No. 59/09 and 1/12),
- Law on Amicable Resolution of Labor Disputes (“RS Official Gazette” No.: 91/16),
- Rulebooks made pursuant to the above mentioned laws,
- ŽRS Statute,
- ŽRS Labor Rulebook,
- ŽRS Rulebook on Organization and Systematization of jobs

The key stakeholders in the labor restructuring process are:

- RS Government, particularly Ministry of Labor and Veterans, Ministry of Transport and Communications, Ministry of Health and Social Protection,
- RS Employment Service
- RS Pension Fund
- ŽRS Supervisory Board
- ŽRS Management
- ŽRS Trade Unions
This section summarizes relevant regulation in the context of the ŽRS labor force retrenchment and key stakeholders responsible for supervising and implementing the retrenchment process.

### Rationale and Scope for Retrenchment

The Labor Law (Articles 179) provides for termination of an employment contract on the following grounds: “due to technological, economic or organizational changes a particular job becomes redundant or volume of work be reduced.”

The Labor Law (Article 160) requires that employer prepares a Retrenchment Program, when employees are made redundant over a period of 90 days in the following instances (definition of collective dismissal):

- (a) 10 employees out of a total of 20 to 99 staff employed for an indefinite term;
- (b) 10 percent of employees, out of a total of 100 to 299 staff, employed for an indefinite term;
- (c) 30 employees out of at least 300 staff employed for an indefinite term;
- (d) 20 employees notwithstanding of the total number of employees, over a period of 90 days;

Pursuant to this law, Article 186 establishes that the employer must pay all arrears to the workers as of the employment contract termination date.

The Labor Law (Article 161) prescribes also that the Retrenchment Program must contain the following elements:

- (a) Rationale for determining the redundancy of employees;
- (b) Total number of employees with the respective employer;
- (c) Number of redundant employees, their qualifications and job positions, age, and length of employment (years) covered by the employment insurance benefits;
- (d) Selection criteria for determining redundant employees;
- (e) Measures for alternative employment: transfer to other jobs; transfer to other employers; training; part-time work, but not less than 50 percent of full time and other measures;
- (f) Resources to address the socioeconomic status of the redundant employees;
- (g) Employment termination deadline;

The program shall be approved by the employer’s competent body, after having reviewed and responded to the Employment Service and Trade Unions’ comments (in ŽRS, the Management is responsible for approving the program). The Employer is required to consider the Trade Unions and the Employment Service’s comments and to inform them with its opinion thereon within eight days upon receipt of such comments (Article 162, 163).

### Consultations with Workers

Prior consultations with trade unions is required by the Labor Law. The employer is required to communicate the draft retrenchment plan to the Trade Unions or Council of Workers and the Employment Service within eight days after the draft plan is prepared. The Trade Unions or the Council of Workers have to provide their views and opinions on the retrenchment plan within 15 days after receiving the document. Within the same time interval, the Employment Service has to present potential options for re-training, additional training, self-employment, employment with
other employers, as well as any other initiatives for job placement of the redundancies. The Employer has to consider the opinion of the union and Employment service, and provide them with response within eight days of receiving their opinion (Articles 163, 164, 165).

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<tr>
<th>Obligation to Consider Alternatives and Opportunities for New Employment</th>
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<tr>
<td>The Labor Law (Articles 161 and 164) provides for obligation to consider alternatives to the termination of labor relations and opportunities to find new employment for workers such as reassigned to a different position, retraining, transfer to other employer, training, and part-time work.</td>
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<th>Selection Criteria for Retrenchment</th>
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<td>Non-discrimination and Protection of Certain Categories of Workers</td>
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<tr>
<td>The Labor Law (Article 166) provides that the criteria for determining redundancy shall not include absence during temporary disability leave, pregnancy, maternity leave, or childcare leave. In addition, the Labor Law Articles 19 prohibit any direct and indirect discrimination of people based on ethnicity/nationality, gender, language, race, color, physical and mental health, religion, political believes, social origin, financial status, membership in political organizations, trade unions, or any other personal characteristic. This provision also applies to termination of employment. Article 183 provides a list of prohibited grounds for dismissal.</td>
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<th>Retrenchment Methods and Severance Payment</th>
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<td>The Labor Law (Article 194) established a minimum statutory payment to be paid before terminating an employment contract on the following grounds: “due to technological, economic or organizational changes a particular job becomes redundant or volume of work be reduced.” The amount of redundancy payment is to be set out in the contract but shall not be less than the sum of one-third of the monthly salary for each full year of service with the employer.</td>
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**Payment of salary or wages in arrears.** The Labor Law (Article 186) provides that upon termination of employment, the employer shall pay any salary or wages owed to the employees.

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<th>Access to Pension and Health Insurance</th>
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<tr>
<td>The Law on Job Assistance and Entitlements during Unemployment Period provides that persons who receive unemployment benefits from the Employment Service and unemployed persons are insured by the mandatory health insurance.</td>
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**The Law on Pension and Disability Insurance** stipulates that persons whose employment was terminated due to redundancy have a right to pension insurance in the period when they receive unemployment benefits.

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<th>Grievance Redress and Appeal Procedure against Dismissal</th>
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<td>The Labor Law provides for the dispute resolution mechanism regulating disputes between the employee and the employer. The worker who thinks that the Company violates his/her employment-related right, can submit a complaint to the General Director or other authorized persons to ensure or enforce such right. Such complaint can be submitted within 30 (thirty) days after becoming informed of the violation, and within three months after the violation occurred. The worker can submit the complaint upon the Decision on his/her request to the Company’s Supervisory Board (Article 200).</td>
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In case of amicable settlement through arbitration, the decision shall be passed within 30 days after becoming informed of the violation of the employee’s right and within 3 months after the violation occurred. In addition, the law also provides a right to the employee to initiate a dispute before the court (Articles 201, 202).

Before initiating the labor force restructuring, ŽRS Management undertook several amendments and modifications of the company’s existing statutes, which led to the design and establishment of a new Rulebook on Organization and Systematization of jobs. However, before initiating the restructuring program, ŽRS Management will conduct further consultations with representatives of the company and Trade Unions regarding all major issues of interest for employees.
7 DESCRIPTION OF ANTICIPATED RETRENCHMENT, ALTERNATIVES, AND RATIONALE

➢ Overview

According to the new company Rulebook on Organization and Systematization of Jobs, a reduction of the current number of available positions is expected in the immediate future, bringing the labor force down to 2,775. Based on the conclusions drawn from the Rulebook, the number of estimated reductions is set to 323 workers compared to the current number. However, this number differs from the total number of reductions planned under the restructuring. Although the new organizational structure foresees a reduction of 323 workers, there will be a certain amount of vacant posts within the company - smaller than 323 – due to the fact that a part of the positions in the company currently held by employees might become vacant with the new organizational structure (due, for instance, to the lack of staff with adequate technical and professional skills in the company, or in case hiring is not necessary, etc.). At the same time, a significant number of workers is assumed to not meet the minimum qualification requirements under the new Systematization of jobs. In addition to the previous points, approximately 200 employees will become redundant due to modernization of operations (completion of signals interlocking and ending of requirement for two drivers per locomotive). In particular, the reduction of about 80 employees will be justified due to the completion by the end of 2017 of the railway stations safeguarding project along the Banja Luka – Doboj line.

It is expected that starting in late 2017/early 2018 the number of workers will be reduced in line with business needs and internal organizational changes. The reduction of the number of employees in the period 2017-2021 is estimated to be approximately one thousand. This estimate has been the result of an assessment on the general organizational structure, current volume of operations and current level of technical equipment of infrastructure and operations. Moreover, the reduction is likely to be complemented by amendments in the Rulebook on the Organization and Organizational structure of the company in the form of a reduction of total positions available so as to prevent any excessive hiring in the future.

This planned workforce reduction is a result of the following factors:

- Reduction due to the introduction of new technologies, modernization and rationalization of operations;
- Reduction of the number of workers needed as a result of IT tools introduction;
- Further rationalization of existing business functions, e.g. merging of divisions

➢ Alternatives to retrenchment – measures to avoid or reduce retrenchment

The proposed retrenchment process was developed in comparison with potential alternatives to job losses. According to a “business-as-usual scenario”, if Republika Srpska government does not take drastic measures to change how the railway sector is currently structured, the total budgetary impact of the sector could potentially reach up to 328 BAM million in a ten-year span. Based on this approach, it is assumed that all else equal there would be no change in the workforce level.6

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6 This approach implies that passenger and freight trains continue to be operated in Republika Srpska at current traffic levels; moreover, there is no competition coming from any third-party freight train operators.
The proposed retrenchment process would thus improve the performance of the railway sector and almost remove the net operating cost deficit. Moreover, the proposed method represents not only a feasible solution to implement the reduction of the workforce, but also the most preferable option compared to other approaches. In particular, the following observations regarding potential alternatives can be made:

- **Freeze on new hiring:** this option was adopted during the first phase of the labor force reduction in the period until 2006. There was a significant reduction in the number of employees using the principle of voluntary departures with the simulative severance payments in the amount of KM 10,000.00 in one cycle, and EUR 5,000.00 in second. In addition, in that period, based on the provisions of the new Labor Law, any kind of “waiting” was prohibited - all those employees who were in the so-called "waiting" status (formally kept in the ŽRS employment register, without the right to any kind of compensation, nor paid pension insurance contributions) were excluded from ŽRS employment register. Severance payment in the amount up to 1,000 BAM was paid to them. The company had the obligation to consider these retrenched workers as a priority in employment if the need for their engagement was identified, since they did not voluntarily leave the company, or did not receive incentive severance package. However, from 2006 to 2011, there was enormous unplanned employment of about 600 workers, so the number of employees increased to over 3,600. It took five years to reduce the number of workers from 2012 to 2017 to the 2006 level.

- **Enforcement of retirement ages:** In terms of the criteria used for establishing pension eligibility, it is observed that the current Labor Law and Pension and Disability Insurance Law present some differences. This is due to the fact that the Labor Law does not allow the employer to terminate an employment contract until the worker is 65 and has accumulated at least 15 years of insurance history, except upon request by the worker. This, however, differs from the criteria listed in the provisions of the Pension and Disability Insurance Law, which allows for lower thresholds of the minimum age/years of insurance history to be eligible for full old age pension. Therefore, based on the current situation, ŽRS must provide social contributions for several workers who already fulfil the eligibility criteria for pension benefits according to the Pension and Disability Insurance Law, but choose to stay in the company by availing themselves of the provision listed in the Labor Law, which grants them the right to be employed upon reaching 65 years.

- **Reduction in salaries:** Well-documented evidence around the world has shown that the reduction in salaries, other than generate the positive impact of reducing the company’s labor costs, can cause negative impact on the workforce. In particular, it has been shown that in several cases it negatively affects employees’ morale, leading to a reduction in the overall labor productivity and performance of the company. Moreover, it is usually met with resentment and opposition from the workforce, which tends to perceive it as an unjust measure. This, in turn, can fuel social tensions and frictions between workers and employers, leading to social conflicts between employees and employers (e.g. strikes). Current average salary in ŽRS amounts roughly to 640 BAM net, while the average salary in Republika Srpska amounts roughly to 840 BAM net.

- **Natural attrition:** This policy could potentially reduce net operating costs by approximately 39 percent over a ten-year span (or 26% since capital expenditures would not be affected). Moreover, the average labor productivity would increase to approximately 202,000 traffic units/employee. However, despite the improvement, this figure would still fall short of the
values currently registered in most railways in this region, which now already have lower traffic density than Republika Srpska.

7.1 Redeployment of workers according to the new organizational structure

To initiate the workforce restructuring, the company has established the new Rulebook on Organization and Systematization of jobs which set forth the framework for declaring redundancies in ŽRS. The Rulebook was approved and became effective on March 3rd 2017, with the first three months being a transitional period for its implementation. However, due to prolonged negotiations with unions regarding the criteria for assigning the employees to new positions, the new systematization has not yet been implemented, and the amendments to the Rulebook from July 2017 have created possibility for its application by December 31, 2017 (the initial three-month deadline was deferred).

Pursuant to the Labor Law provisions, each employer is responsible for establishing this piece of regulation on the Organization and Systematization of jobs. Pursuant to the Company Law and the Labor Law, owners and managers of companies located in RS, including ŽRS, are free to define independently the internal organization of their companies and to adjust it to the work process needs, technology improvement, reduced or increased volume of work, etc., within the legal framework and set of applicable rules in Republika Srpska. Within this framework, the organizational adjustment that is set to be implemented in the company is likely to affect the total number of ŽRS labor force. As a result, the company needs to prepare an appropriate retrenchment program in view of the workforce restructuring.

7.2 Retrenchment methods and procedures

The procedure to implement the restructuring will be determined following the joint agreement with the Ministry of Labor and negotiations with the Trade Unions. Regardless of its specific structure, the process will include the following steps:

1. Based on the new job systematization conducted by the company, ŽRS will select which business units/sections have higher or lower needs or demand for workers;
2. The company will consider various methods of retrenchment in order to reduce adverse impacts of labor restructuring;

In order to ensure impartiality and non-discrimination when redeploying workers pursuant to the provisions in the new Rulebook on Organization and Systematization of jobs, the company will establish a Working Group within ŽRS. This group will consist of qualified and experienced lawyers employed at ŽRS that will be responsible for determining relevant rules and criteria according to which employees would be declared redundant.

The methods of retrenchment which are currently being under consideration include:

1) Retirement of employees (Natural attrition)
2) Voluntary leaves with severance payment
3) Technological redundancies (involuntary separation)

7.2.1 Retirement of employees

Employees that meet the criteria for retirement pursuant to the Law on Pension and Disability Insurance or the Labor Law are eligible to receive pension benefits. Workers who are eligible for
pension benefits in view of their eligibility can retire from the employer and submit a request to the respective Pension and Disability Insurance Fund to receive such benefits.

In terms of the criteria used for establishing pension eligibility, Labor Law and Pension and Disability Insurance Law present different eligibility criteria. The Labor Law prescribes criteria for mandatory retirement (Article 175). It does not allow the employer to terminate an employment contract until the worker is 65 and has accumulated at least 15 years of insurance history (except upon request by the worker). However, the Pension and Disability Insurance Law allows for lower thresholds of the minimum age/years of insurance history to be eligible for full old age pension. In such case, an employee is eligible to retire, but it is not mandatory.

Therefore, based on the current situation, ŽRS must provide social contributions for workers who already fulfil the eligibility criteria for pension benefits according to the Pension and Disability Insurance Law, but choose to stay in the company by availing themselves of the provision listed in the Labor Law, which grants them the right to be employed upon reaching 65 years. However, no measures or policies can be proposed at company level to overcome this problem and ensure the enforcement of retirement ages. Although the retirement date does not affect the level of pension benefits to which the employee is entitled, employees may choose to stay in the company rather than considering retirement for financial reasons. In this case, ŽRS must provide social contributions for this category of workers, with the total amount of the contributions representing a considerable disbursement for the company.

Pursuant to the Law on Pension and Disability Insurance (Art 40), employees are entitled to receive pension benefits in the following cases:
   a) old age pension;
   b) disability pension;

7.2.1.1 Old age pension

According to the Law on Pension and Disability Insurance (Art. 41) the mandatory retirement condition is that the contributor/worker is 65 years old and has accumulated a minimum of 15 years of insurance history. This mean that upon meeting this condition the person is required to retire by the force of law. The Pension and Disability Insurance Law (PDI Law) provides for additional eligibility criteria, described in Box 1.

Box 1. Eligibility criteria for old age pension - Pension and Disability Insurance Law

Article 42, provides that the person who is less than 65 years of age, is eligible for old age pension upon reaching the age of 60 years and 40 years of pensionable years of service. A woman who is less than 65 years old, is eligible for old age pension upon reaching 58 years of age and 35 years of pensionable years of service.

Article 177 of the Pension and Disability Insurance Law provides exceptions to the general rule (65 years of age and 15 years of service) for women with at least 15 years of insurance history and, respectively:
   a) 63 years and 8 months in 2017;
   b) 64 years and 4 months in 2018;
Male workers under age 65 are eligible for pension at age 60 if they have at least 40 years of pension history. However, Article 178 of the Law allows for exceptions to this rule in case the worker has 40 years of pension history and, respectively:

- (ML) 7 years and 4 months in 2017,
- (ML) 7 years and 8 months in 2018,
- (ML) 58 years in 2019,
- (ML) 58 years and 4 months in 2020,
- (ML) 58 years and 8 months in 2021,
- (ML) 59 years in 2022,
- (ML) 59 years and 4 months in 2023, and
- (ML) 59 years and 8 months in 2024.

Female workers under age 65 are eligible for old pension at age of 58 if they have at least 35 years of pension history. However, Article 178 of the Law allows for an exception to this rule in case the female worker has 35 years of pension history and, respectively:

- (ML) 55 years and 4 months in 2017,
- (ML) 55 years and 8 months in 2018,
- (ML) 56 years in 2019,
- (ML) 56 years and 4 months in 2020,
- (ML) 56 years and 8 months in 2021,
- (ML) 57 years in 2022,
- (ML) 57 years and 4 months in 2023, and
- (ML) 57 years and 8 months in 2024.

Size and amount of the old age pension depend on the employee’s pension history, which consists of two components:

- insurance history, for which contributions are paid;
- special history – if any;

Insurance history is composed of two elements:

- Effective insurance history includes the total time, from the age of 15, during which the worker is entitled to receive mandatory and/or voluntarily insurance, and for which contributions are paid. Throughout this period the worker is employed or is registered as unemployed at the Employment Service; however, contributions are paid by the Employment Service throughout the duration of unemployment.
- Increased insurance history (or privileged working history) includes the period in which the worker performed a hazardous, dangerous or health endangering work. Alternatively, it includes the case of a job which cannot be adequately performed after certain age and for which an additional contribution is paid proportionally to the increased insurance history and in addition to the amount provided under the effective insurance history. In ŽRS there are several jobs in the area of railways traffic where effective working history is subject to increase (adding two or four months on each year of effective history).

In addition to the cases for increased insurance history mentioned above, the PDI Law allows for a higher insurance history for the entire period the worker has been employed in case he has suffered

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7 This corresponds to the eligibility criteria for full old age pension
from one or more of the following: a) At least 70% bodily injury; b) Group I - VI military invalid; c) Group I - VI civilian war invalid. Under these circumstances, the Law allows for an increase of the effective insurance history by up to three months for each year. This is of particular importance since ŽRS has a high number of workers under this category.

In order to reduce this issue, workers that fall under this category and are eligible for the increased insurance history must comply also with the more general rule that states that employees must be at least 55 to be eligible for the old age pension. Stated differently, since this provision applies to the aforementioned category of workers specified by the Law, ŽRS workers also need to comply with the more general rule that employees must be at least 55 for them to be eligible for old age pension, irrespective of the total amount given by the increased insurance history.

Special history permits to double employees’ working history (double credit). It is granted only to certain categories of persons (in this case, ŽRS employees) listed as follows:

a) veterans, members of the Socialist Federal Republic of Yugoslavia Army or military units under the command of that Army, during the war conflict in the country between August 17th, 1990 and May 19th, 1992;
b) veterans, members of Republika Srpska Army and Ministry of Interior, during the war conflict in the former BiH from May 19th, 1992 until its demise.

The calculation used to compute insurance history includes also employees’ time spent in war captivity, as well as the time spent at medical treatment and rehabilitation facilities if they are a consequence of any diseases or injuries directly inflicted by the war or war captivity. Special history is established by the Pension and Disability Insurance Fund’s Decision based on the applicable Decision on Veteran’s Categorization issued by the relevant Veterans’ authority (municipal and city Veteran’s Department).

Special history is counted starting from the military activation date - or date of captivity or beginning of the medical treatment or rehabilitation program - and is valid until June 19th, 1996 the latest. The period identified in the Decision as special history with double credit is not included in the insurance history regardless of whether it is entered in the Fund’s central records. Workers that are granted the special history can not waive it and this represents the basis for computing the eligibility formula for retirement.

Considering the type of jobs generally performed by ŽRS workers, many employees receive the increased insurance history, overall accounting for a significant share of the total number of employees. Moreover, this creates an additional consequence within the overall labor force restructuring. Workers that do not meet the minimum health requirements (as given by their health group according to the regulations in place) are no longer eligible to perform their job. This implies that according to the restructuring, they would be subject to re-deployment to other posts within the company that do not require the same level of health conditions. However, these positions are also more likely to be reduced after the restructuring, increasing the possibility that these workers will be declared redundant and will be more affected after the restructuring.

Labor Law does not prescribe for the possibility of providing severance payment to employees that fulfil retirement requirements for old age pension (i.e. 65 years and at least 15 years of service). However, pursuant to the provisions of the PDI Law, a worker may be eligible to retire prior to reaching the conditions established by the Labor Law. Under such occurrences, RS Government established through a separate Decision (by-law) that the severance payment shall be equal to three
times the average wage earned by the worker in the last two months prior to retirement. The same provision is found in ŽRS Labor Rulebook.

7.2.1.2 Disability pension

The legal framework establishing the amount and eligibility for the disability pension plays an important role in the ŽRS restructuring due to the fact that a high number of ŽRS workers has disabilities and reduced ability to work and thus is affected the provisions protecting this category. The main piece of legislation defining the amount and eligibility for disability pension is the Law on the Pension and Disability Insurance (see Box 2).

In terms of severance payment for this category of workers, including workers with reduced ability to work, the general rule dictates that such workers cannot be declared redundant. However, he/she shall receive a severance pay equal to the standard amount prescribed by law - should he/she decide to leave voluntarily.

**Box 2. Pension and Disability Insurance Law**

Pursuant to the Law on Pension and Disability Insurance ("RS Official Gazette" No. 134/11, 82/13 and 103/15), an insurance contributor/worker is considered to be in this category if it is established that he/she, as a result of permanent changes of health conditions - which cannot be removed by medical treatment or rehabilitation - lost or reduced his/her ability to perform the job that he/she used to perform. Disability can be caused by occupational work, professional disease, injury or other diseases and injuries not related to work. In terms of rights related to the pension and disability insurance, the law treats equally injuries inflicted at work and injuries of veterans inflicted under war- or conflict-related circumstances as well as diseases due to such circumstances.

Disability pension is established using the same framework used for calculating the old age pension. Contributors/workers with less than 15 years of insurance history are entitled to disability pension for 15 years of insurance history. Contributor s/workers whose disability is caused by occupational work or by other occupational diseases are entitled to disability pension for 40 years of insurance history. Contributors having their ability to work reduced as a result of sustained injuries or diseases not related to work are also entitled to disability pension before fulfilling the old age pension requirements (age of 65), provided that they have a minimum of five years of insurance history or ten years of working history before the disability verified. In this case, contributors aged under 35 are entitled to disability pension provided that they have a minimum of two years of insurance history before the disability happened.

A contributor with reduced ability to work and aged over 58 is also eligible for disability pension alongside with the option for retraining or additional training opportunities, provided that he/she had reached five years of insurance history or ten years of pension history before the disability verified. In case an employee’s ability to work is reduced as a result of an injury inflicted at work or other occupational diseases, the contributor is entitled to receive disability pension regardless of his/her pension history.

7.2.2 Voluntary leave with incentive payment
During a four-year long process of workforce restructuring, a certain number of employees will be offered the possibility to leave the company voluntarily on the basis of the criteria established and agreed with the Trade Unions. Workers who decide to leave the company voluntarily would receive an incentive severance payment. According to the Labor Law, the minimum severance payment is calculated based on the worker’s average (net) wage in the three months prior to termination of employment. The Labor Law provides for option to agree on an amount of severance payment higher than prescribed minimum of at least one third of the average net monthly wage paid to the worker over the last three months before the employment termination for each year of employment concluded with the employer. The amount of incentive severance payment will be a result of negotiations between ZRS, trade unions and relevant ministries.

7.2.3 Involuntary separation

Employees will be selected for redundancy based on a set of criteria that will be agreed by ŽRS Management in consultation with the Trade Unions. The criteria will be objective, transparent and non-discriminatory. The criteria will take into consideration the protection of vulnerable categories of employees. There will be commitment to make every effort to avoid and minimise the social effects of the adjustment following the retrenchment and to seek alternative employment for retrenched employees. As agreed in the provisions of the retrenchment process, the redundancies will be managed in a fair and consistent manner and will seek to minimise any adverse effects on the affected workers. The redundancy procedure will be compliant with the requirements of the national laws and good international practice. The onset of redundancy process will be determined by ŽRS, with regard to operational requirements and in consultation with workers’ representatives.

ŽRS workers are entitled to receive a severance pay pursuant to the Labor Law in case they are declared redundant (the same provisions are incorporated also by ŽRS in the company’s Rulebook regulating labor issues). In case of severance payment for workers with disabilities or reduced ability to work (e.g. work-related injury or occupational disease), the rule prescribes that the employee cannot be made redundant. However, he/she can receive the severance payment should he/she decide to leave voluntarily.

Pursuant to the Labor Law No. 1/168, in case of redundancies the following provisions apply:

a. A worker with open-ended contract terminated by its employer after a minimum of two years of uninterrupted work with the same employer, is entitled to a severance payment paid by the employer. This provision, however, does not apply to the case of employment termination due to the worker’s conduct or behaviour (e.g. disciplinary measures).

b. The amount of the severance payment depends on the general regulation and the employment contract. Moreover, this amount depends on the employment duration with that employer, and must be equal to at least one third of the average net monthly wage paid to the worker over the last three months before the employment termination for each year of employment concluded with the employer. The total amount of the severance payment cannot be higher than the amount of six average monthly wages paid to the worker over the last three months before the employment contract termination.

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8 The same provisions are incorporated in ŽRS internal regulations
8 TRADE UNIONS

There are seven trade unions officially registered within ŽRS:

- Trade Union of ŽRS Workers
- Independent Trade Union of ŽRS Train Drivers
- Independent Trade Union of Traffic and Transport Activity in ŽRS
- Independent Trade Union of Track Vehicles Maintenance in ŽRS
- Trade Union of Infrastructure Workers in Doboj
- Trade Union of Infrastructure Workers in Banja Luka
- Trade Union of Train Drivers in Banja Luka

The first three unions listed above are the representative unions.

8.1 Consultations with the Trade Unions

In the last two years, numerous meetings were held between the company and the trade unions in order to address ongoing challenges related to the growing number of lawsuits initiated by the company’s employees, mounting debt arrears, and increasing delays in the liabilities payment. Trade Unions play a role in giving opinions in the workforce restructuring by contributing to the selection of objective and non-discriminatory criteria for the deployment of workers under the new Regulation on the organization and systematization of jobs. Moreover, they will be involved in the identification of redundant workers and business areas of the company that have employee surplus.

As a result, consultation with the Unions on both the design and the implementation of the retrenchment plan is one step of the process. By the same account, ŽRS Management has highlighted the importance of building a social dialogue among all interested parties. Consultations between the company and Trade Unions started soon after the adoption of the new Labor Law in 2016. The round of consultations and negotiations between the Unions and ŽRS revolved around the set of rights and obligations of workers and employers and lasted until the end of 2016, when the Rulebook on Labor, in accordance with requirements of the Labor Law, was adopted by Supervisory Board, according to proposal made by ŽRS Management.

In early 2017, a new round of consultations between ŽRS Management and the trade unions started in relation to the design of the new Rulebook on Organization and Systematization of jobs. Four meetings were held between 10th and 14th April 2017 in Doboj and Banja Luka in order to reach a common agreement on all pending issues related to the Rulebooks. In particular, this round of consultations aimed to decide upon the criteria for re-deployment taking into account the comments received from the Unions and in light of making future amendments and modifications to the current regulations. Although ŽRS had already approved the Rulebook on Organization and Systematization of jobs and the criteria for re-deployment, the deadline for implementation is December 31, 2017.

In addition to the previous categories of Unions, it is worth mentioning the role of the Confederation of Trade Unions in Republika Srpska and the Transport and Communications Trade Union. However, since they represent workers at the central level, their role differs from the one played by Trade Unions of ŽRS Workers and as, a consequence, the latter ought to be more involved in the process.
9 MEASURES TO REDUCE THE IMPACT OF LABOUR RESTRUCTURING ON WORKERS

9.1 The Role of RS Employment Service

The Employment Service, pursuant to its legal obligations, represents the main institution monitoring labor market trends, collecting information from employers and data on labor demand, and disseminating relevant information to the general public. Its role is particularly relevant within the restructuring process since it offers ex-ante assistance by providing relevant information on job possibilities and labor market trends as well as ex-post assistance to employees that are declared redundant. In the latter case, the Employment Service’s support consists of, among others:

- information on job opportunities and job placements for workers with different skills and professional qualifications;
- identification of alternative employment opportunities;
- advice to retrenched employees on their rights;
- additional assistance with CVs and interview techniques, and advice on training opportunities and details of other educational qualifications and re-training;

Any person registered with the Employment Service for the purpose of job placement is thus entitled to receive:
- information on job opportunities and employment terms and conditions;
- job placement services,
- job counselling, and
- technical training and preparation for employment.

All workers affected by the workforce restructuring have access to the services of the Employment Service, which are freely available for its beneficiaries.

Job mediation services (e.g. professional orientation) consist of individual and group counselling activities delivered by the Employment Service’s professional and social counsellors to unemployed persons and persons who consider leaving their current job. All employees affected by the retrenchment process as well other employees that are searching for other jobs, are eligible for this type of services. They include advices on job employment opportunities, employment terms and conditions, information on job opportunities based on personal preferences, professional experience and skills.

Technical training courses in pro-active methods of job searching are provided by the Employment Service and include measures to enable unemployed person to gain necessary knowledge and skills to be able to perform different types of work, ranging from operating fixed assets to using protection equipment. In addition to this category, re-training programs will also be offered by the Employment Service.

Based on the information collected from labor offices in the region, adequate training and programs will be offered also in case a worker cannot find a job within his area of expertise requiring his/her set of technical skills. The aim of these programs would thus be to find other opportunities in different areas/sectors where the demand in the market is higher.

Technical trainings and courses on job searching are organized and financed by the Employment Service independently and in cooperation with other education institutions, organizations
responsible for protecting employees’ rights at work, the Pension and Disability Insurance Fund, and the Fund for Professional Rehabilitation and Employment of Invalids. The Employment Service cooperates with employers in terms of both organization and implementation of skills enhancement programs, re-training and additional training of workers and their adaptation to new technologies in the work process.

The Employment Service can co-finance employment programs offered by the employers, provided that such programs create an obligation to employ a given number of persons from the list of registered unemployed for a period of minimum twelve (12) months. Terms and conditions whereby this type of financing is allowed, and the precise scope and purposes of such financing are regulated by the contract between the Employment Service and the employer. The Employment Service can also participate in the implementation of employment programs financed by RS or other countries, as well as by specialized local and international organizations.

The Employment Service can promote re-training and additional training programs for redundant workers, provided that such workers will be employed for a period of minimum 12 months. This in turn is regulated by the contract with the employer that will hire the workers upon completion of the re-training or further training programs.

The Director of the Employment Service prescribes by general regulation the terms and conditions that apply to the cases of unemployed persons which can obtain the full or partial reimbursement for the costs sustained from:
- individual technical trainings;
- re-training or additional trainings;
- costs of travel incurred for invitations or referral by the Employment Service and for the purpose of getting information on job opportunities.

The Employment Service provides health insurance for unemployed persons and their family members if they were health insurance holders. It also provides health and pension and disability insurance to eligible persons, pursuant, respectively, to the Health and Pension and Disability Insurance Laws. Pursuant to the current legislation in Republika Srpska, the employer provides to each worker his/her contribution for the unemployment insurance on a monthly basis, which is equal to 1% of the worker’s net monthly wage. This amount is then received by RS Employment Service. These funds are used in turn by the Employment Service to assist unemployed persons and enable them to benefit from special entitlements granted by the Law on Job Assistance and Entitlements during Unemployment Period.

The Employment Service is of the key stakeholders in the implementation of the Employment Strategy of RS 2016 – 2020. One of the objectives of the Strategy is to increase the employability of vulnerable groups including persons older than 50 years, family members of soldiers who lost their life in war, war veterans, persons with disabilities, women, youth, ethnic minorities, etc. These groups have a priority in participating in the Employment Service programs.

9.2 Role of employment agencies and adult education institutions

The role of the main governmental institutions and associated ministries, funds and institutes in supporting retrenched workers remains limited, albeit relatively larger than it was in the past.
Functions and roles of RS Employment agencies are prescribed by the Law on Job Assistance and Entitlements during Unemployment Period, which according to the law must provide adequate support and assistance for unemployed persons, some of which are also offered by the Employment Service. The type of assistance and support provided to workers consists of professional counselling for unemployed persons, adult education and other learning opportunities, job placements, courses and training for active job search, etc.

9.2.1 Adult education

Adults education is financed by the Employment Service, with the funding provided by the Government, local self-governed units, and any other interested employers, and is regulated by the Law on Adults Education (Box 3). Adults education can be also delivered by primary and secondary education institutions officially accredited for providing adults education either as one of their core or secondary business or in the form of ‘universities for workers’, training centers, foreign language schools, driving schools, and any additional legal entities which meet the criteria required for individual adult education programs. Adults education lasts between six months (minimum) and the average duration applicable for secondary education. Moreover, there are three types of adult education offered to workers, which are summarized below:

- **formal education**: this consists of learning opportunities carried out in education institutions within the type of programs and activities included in primary and secondary school curricula and fine-tuned to best meet the requirements and capacity of adult workers;
- **informal education**: this consists of learning opportunities and activities aimed to develop and upgrade workers’ knowledge, skills and capacity. This is implemented through a set of programs and activities organized by education institutions and any other specialized institutions which fulfill the criteria for providing adults education; this type of learning is carried out to complement formal educational learning through regular courses;
- **informal learning**: this consists of a type of self-education, realized through improvement and knowledge and skill building not included in other (more formal) learning modes through education institutions and other specialized bodies.

**Box 3. Adults Education Law**

Adults Education Law No. 59/09 and 1/12 defines and regulates terms and conditions, general procedures and specific actions related to adult education. The types of support and assistance provided to active employees affected by the retrenchment include, among others:

- upgrading of education qualifications through additional training and programs;
- skills enhancement, retraining, additional training, improvement, specialization of employed and unemployed;
- employees’ empowerment activities to actively search for jobs in high-demand sectors and industries of the markets.

Within this framework, the Adults Education Annual Plan was established by the RS Government and approved by the Employment Service, regional Chambers of Commerce, Associations of Employers, local autonomous entities and all associated ministries. In particular, the Employment Service is responsible for the implementation of the Adults Education Plan, which includes the following tasks:

- to select adequate institutions that provide adults education;
- to monitor and evaluate the implementation of adult education trainings;
- to provide adequate financing in line with the scope of these activities.
Among other tasks, the Adults Education Annual Plan is in charge of the following functions and responsibilities:

- to define priority areas of adult education;
- to determine the type of education infrastructure necessary for adult education;
- to assign education programs to local autonomous entities taking into account (i) institutions’ capacity, (ii) number of education attendees, (iii) level of development of the selected area, (iv) respect for equal opportunities for adult education and skills enhancement;
- to estimate (i) amount of financial resources necessary to carry out the educational programs (ii) timeline of the program implementation (iii) relevant stakeholders responsible for the program implementation;

9.3 The role and support from other stakeholders

During the workforce restructuring process implementation, information on the type and number of workers that will be declared redundant will be made available to regional and international organizations, local autonomous entities, regional Chambers of Commerce, Associations of Employers, individual employers and other legal, public and private entities. This will allow this set of stakeholders to provide support and assistance within the job placement initiatives, for instance by offering self-employment or employment programs. For instance, initiatives promoted by these entities may include subsidies for agriculture production, resources aimed at starting small crafts and similar businesses, self-employment proposals, scholarships for workers’ children and other forms of financial assistance. As part this process, all veteran organizations, associations of invalids and representatives of the Trade Unions in RS will be encouraged to be involved.

9.4 Coverage of affected workers by unemployment and health insurance, or other social security programs

In addition to the aforementioned social assistance programs provided to all unemployed persons registered with the Employment Service, unemployed persons who fulfil particular criteria are entitled to additional social security programs or cash-based benefits. In order to be eligible for this type of services, the person must fulfil the following criteria:

a) the termination of employment is not a consequence of the employee’s conduct or performance or a mutual agreement between the employer and the employee. It should be related to broader organizational changes occurring at the company level, such as in the case of ŽRS; and

b) the employee has acquired, within the last 12 months, a minimum of 8 months of uninterrupted insurance history with paid contributions or a minimum of 12 months of working history including interruptions within the last 18 months.

Unemployed persons have the right to receive the following:

- cash benefits offered by the Employment Service (pursuant to the Law on Job Assistance and Entitlements during Unemployment Period),
- health insurance from RS Health Insurance Fund (pursuant to the Health Insurance Law), and
- pension and disability insurance from RS Fund for Pension and Disability Insurance (pursuant to the Law on Pension and Disability Insurance).
In addition to the previous points, unemployed persons registered with the Employment Service are entitled to receive the pension and disability insurance for a maximum of three years, provided that thereby they qualify for old age pension, which is an entitlement obtained from the RS Pension and Disability Insurance Fund. ŽRS workers who have been declared redundant by the company can obtain from the Employment Service a monthly cash benefit. This amount shall depend on the amount of the net wage the worker earned in the last three months before the employment contract was terminated, and the duration of the benefit shall depend on the worker’s insurance history. The level of cash benefit in this case is defined as follows:

a) for unemployed persons with up to 15 years of insurance history, the benefit amounts to 40% of the average wage he/she earned in the last three months of work,
   b) for unemployed persons with more than 15 years of insurance history, the benefit amounts to 45% of the average wage he/she earned in the last three months of work.

The duration of the cash benefit has a maximum length depending on the following cases:

a) for insurance history up to 12 months – one month,
   b) for one to two years of insurance history – two months,
   c) for two to five years of insurance history – three months,
   d) for five to 15 years of insurance history – six months,
   e) for 15 to 30 years of insurance history – nine months, and
   f) for over 30 years of insurance history – 12 months.

In case of repeated cash benefits (e.g. a person who in the past received a cash benefit from the Employment Service whilst being unemployed) the amount of the insurance history considered for the calculation shall be only the one accumulated after the last cash benefit was received.

The unemployment cash benefit is paid, by default, on a monthly basis. However, the Law allows for the possibility to receive a one-time payment corresponding to the full amount, provided that those funds are used for self-employment. As of the day of receiving the one-time payment, the unemployed person is removed from the Employment’s records; is not eligible for any other benefits under the Law; and can be re-registered as unemployed only after the expiration of the period for which the cash benefit was provided.

Basic norms and rules for receiving the entitlement, as well as the amount and duration of the cash benefit from the Employment Service, have been adjusted by the law as follows:

- In case the unemployed person returns to work during the period in which the cash benefit was received or secures any form of salary or compensation that is acceptable and valid under any laws or regulation, the cash benefit payment as well as any other related entitlements shall be ceased;
- The amount of the cash benefit cannot be lower than 30% of the average net wage nor higher than the amount of one average net wage paid in RS according to Republika Srpska Statistics Institute (average net wage in RS in 2016 was BAM 835, and 30% of that amount is about BAM 276; as a result, the monthly amount of the cash benefit for ŽRS workers shall not be lower than BAM 276 nor higher than BAM 835);
- If the unemployed person had returned/returns to work based on a valid court decision or employer’s decision, and if the employer had paid/pays the salary and contributions to such person for the period he/she did not work, such person shall be obliged to reimburse the Employment Service the entire amount of the cash benefit received.
Benefits of unemployed persons established by the Law on Job Assistance and Entitlements during Unemployment Period shall cease before expiration of the period and the beneficiary shall be removed from the records of the unemployed persons if he/she:

- becomes employed;
- establishes independently or jointly with other person(s) a company or any other form of business;
- starts performing registered agricultural businesses or ventures;
- becomes eligible for old age, disability or family pension;
- starts serving in prison, security measures, protective or corrective measures, which is to last more than three months;
- without justified reasons rejects a post offered in his/her place of address or in a location that is within 50 km from his/her home and which matches his/her technical skills and professional abilities;
- without justified reasons fails to respond to an invitation by the competent authority to take part in public works or reconstruction after natural disaster;
- without justified reason fails to respond to the Employment Service or the Pension and Disability Insurance Fund invitation to technical training, additional training or re-training for job opportunities corresponding to his/her level of education, which would result in his/her employment;
- fails to report to the Employment Service once every 60 days;
- without justified reason fails to respond to the Employment Service’s invitation to get information on job opportunities;
- becomes a regular student;
- in case it is established that the person is benefiting from a right based on untruthful data or false documents, and that he/she provided the Employment Service with wrong telephone numbers and contact addresses;
- is de-registered upon his/her own request;
- in case it is established that he/she performs independent unregistered business, as evidenced by a written report made by the competent authority;
- departure from the territory of Republika Srpska; and
- employee’s death.
10 COMMUNICATION ON WORKFORCE RESTRUCTURING AND GRIEVANCE MECHANISM

10.1 Communication on workforce restructuring to employees

The workforce restructuring in ŽRS will be based on the principles of transparency, ensuring timely dissemination of information to trade unions, Employment Service and other stakeholders which are deemed to be relevant for the implementation of the labour restructuring. This will be accompanied by sharing communication materials and relevant information, and by organizing meetings, consultations, technical discussions and other forms of information sharing.

Workers will be duly notified on the restructuring process through multiple channels. Information on all steps of the restructuring plan alongside with all relevant data and information, will be published on the Company’s web site as well as the employee bulletin board in the company. In addition, relevant information will also be made available in the periodical magazine “Railways Workers Voice” which will feature a special edition fully covering this topic.

Each manager in the company will receive clear instructions from the Management on the procedure to inform workers on the implementation of the restructuring. The management of the company will appoint special coordinators for each unit/section of the company – in the form of individual coordinators or coordination teams – that will act as focal point during the restructuring and will help workers by providing timely, thorough and accurate information and advice on their rights throughout restructuring.

10.2 Protection of workers’ rights and grievance mechanisms

All rights and obligations of the workers defined by the Labor Law and other regulations, including the Company’s internal regulations, are protected by certain mechanisms which guarantee the workers the ability to request and get protection of their rights at several instances.

10.2.1 General rules

Decisions on rights and obligations related to employment are, pursuant to law, general regulations and employment contracts made by the employer’s managing authority (director) or other persons defined by the Statute or establishment regulations. Authorized persons can, based on written authorization, decide on all or some rights and obligations related to employment.

A worker shall be provided with a written decision on rights, obligations and responsibilities as well as protection measures for his/her rights. A worker who claims that the employer violated his/her employment-related rights, can submit a complaint to the Supervisory Board to enforce such right. Such complaint must be submitted within 30 days upon becoming informed of the violation of such right, and within three months after the violation of such right verified. Submission of the complaint to protect such right shall not postpone the execution of the decision or action against the worker who submitted the complaint to enforce such right, unless it is the case of a worker refusing to perform a job associated with direct life-threatening conditions or severe deterioration of health of the worker or third person.

The employer shall be obliged to decide upon the worker’s complaint within 30 days upon receipt thereof, otherwise the request shall be considered accepted.

Regardless of the procedure initiated with the employer or other competent authority to protect or enforce such right, the worker can resort to a labor inspector in order to protect his/her rights within
one month after becoming informed of the violation and within three months after the violation verified.

In case a minimum of 10 workers or 10% of the total number of workers send simultaneously a request to the employer requesting protection of their labor-related rights, the employer shall be obliged to request and ask for the opinion of the Trade Unions or, in case Trade Unions are not present in the subject company, the Council of Workers.

ŽRS Rulebook regulating labor issues is harmonized with the Labor Law, establishing that the decision on worker’s rights, obligations and requests related to employment, pursuant to the Law, Rulebook and employment contract, shall be made by the General Director. The General Director can, by written authorization, authorize other managers, workers or a committee consisting of more workers of the Company, to decide on all or some employment-related rights, obligations and request of the workers.

A Worker shall be provided with a written Decision on rights, obligations and responsibilities, written response on his/her request along with the justification and mitigation measures.

In ŽRS, the two-instance protection of a worker’s rights is in place, whereby the second-instance decisions on a worker’s rights, obligations and requests shall be made by the Supervisory Board or the Expert Committee consisting of the Company’s workers, to which the Supervisor Board delegates such authority. The two-instance protection of a worker’s rights shall not be applied to a worker’s request that is not related to employment - namely when the request is not ruled by employment norms and regulations.

A worker who claims that the employer violated his/her employment-related rights, can submit a complaint to the General Director or other authorized persons to ensure such right. Such request can be made within 30 (thirty) days after becoming informed of the violation of such right and within three months after the violation verified. The worker can submit the complaint requesting for a Decision from the Company’s Supervisory Board.

The Decision on the worker’s complaint must be made within 30 (thirty) days upon its submission or otherwise the complaint shall be considered accepted. Submission of the complaint to enforce such right shall not postpone the execution of the Decision or action against the worker who submitted the complaint to enforce such right, unless it is the case of a worker refusing to perform a job associated with direct life-threatening conditions or severe deterioration of health of the worker or third person.

Worker can submit a complaint to the Supervisory Board upon the Decision on his/her rights, obligations and written response on his/her request, within 30 (thirty) days upon receipt of such Decision.

10.3 Law on amicable resolution of labor disputes

Amicable resolution of labor disputes is a form of voluntarily resolution of labor disputes between the concerned parties (worker and employer), with the participation of an arbitrator, mediator, arbitration council and arbitration committee. A worker who claims that the employer violated his/her employment-related rights, can submit a proposal for amicable resolution of labor dispute to the competent authority or initiate a lawsuit to the competent court in order to protect such right. The Law on Amicable Resolution of Labor Disputes (”RS Official Gazette” No. 91/16) provides the legal framework regulating such occurrences.
Amicable resolution of individual and collective labor disputes is performed by the Agency for Amicable Resolution of Labor Disputes, established by the RS Government (see Box 4). The provisions set forth in the law differ depending on the following cases:

- **Individual labor dispute**, which consists of a dispute between workers and employers related to workers’ rights and obligations.

- **Collective labor dispute**, which is further divided into two groups:
  - **Legal collective labor dispute**: this consists of a dispute regarding the implementation of the applicable Collective Agreement and other relevant regulations of the employer;
  - **Interest-based collective labor disputes**: this consists of a dispute regarding entering into, amending, modifying or terminating Collective Agreements, enjoying the right to form or join Trade Unions, the right to strike and any other collective rights (see Box 5).

**Box 4. Law on Amicable Resolution of Labor Disputes No. 91/16**

The Law on Amicable Resolution of Labor Disputes regulates labor dispute resolutions between workers and employers. The amicable labor disputes resolution procedure is launched by submitting to the Agency a proposal for amicable resolution of labor dispute. The parties to the dispute can submit the proposal separately or together. In addition, the parties to the dispute can propose individually or together a mediator or an arbitrator from the relevant book containing the list of mediators/arbitrators. In alternative, he/she can be appointed by the Agency.

a) Proposal for amicable resolution of labor dispute can be submitted within 30 days after becoming informed of the violation of a right, but within 3 months after the violation verified. Similarly, the lawsuit for the protection of employment-related rights can be submitted within six months after the employee becomes informed of such violation or as of the date in which the violation occurred.

b) The entitlement to submit a proposal or a lawsuit is not conditioned by prior submission of a request to the employer to protect such right.

c) Upon receipt of the proposal, the Agency examines its validity to assess whether it pertains to the sphere of duties of the Agency and it is aligned with the time framework established by rule. Upon completion of the examination, the Agency issues a conclusion regarding its outcome.

d) After the parties submit the draft agreement to the Agency, the director of the Agency is required to issue a written decision whereby he either approves the draft agreement or determines an arbitrator or a mediator.

e) The arbitrator or mediator is obliged to provide the Agency with the report on the full outcome of the labor dispute amicable resolution procedure within 30 days. The report must include all facts and evidence established or identified during the procedure and must present recommendations to support the final resolution of the labor dispute. In case the parties reach an agreement to the amicable resolution, the arbitrator or mediator has to attach a copy of the aforementioned agreement to the report. Unless an agreement is found and agreed to by both parties to the labor dispute, the Agency Director must propose a resolution to cease the labor dispute following the amicable resolution procedure and based on the arbitrator or mediator’s report. Finally, he must refer it to the parties to the dispute pursuant to law.

f) In case the proposal is submitted by one of the parties to the dispute, the Agency shares the proposal and relevant documentation with the other party. The other party to the dispute is obliged to provide its opinion on whether the proposal is reasonable and
acceptable and share any other facts that are deemed to be relevant for the amicable resolution of the labor dispute within eight to ten days (depending on the type of dispute) after receiving the proposal. After receiving the opinion from the party to the dispute – or after the deadline to receive all due documentation is reached – the Agency Director appoints an arbitrator or a mediator from the relevant register, upon proposal by the parties or ex officio.

g) The arbitrator or mediator schedules discussion on the dispute within five to seven days (depending on the type of dispute) upon receipt of the case. Parties to the dispute can appoint their representatives in the labor dispute resolution procedure and inform the arbitrator or mediator thereon, latest by the date of the scheduled discussion. If parties to the dispute fail to appoint their representative, the arbitrator or mediator shall continue the labor dispute resolution procedure by directly contacting the parties to the dispute.

h) The arbitrator or mediator must prepare a draft agreement on the amicable resolution of the individual labor disputes within seven to ten days (depending on the type of dispute) starting from the date of the discussion. The draft agreement will be submitted to the parties for signature. The parties to the dispute are required to sign the draft agreement within five to seven days (depending on the type of dispute) after receiving the draft agreement and only if they agree on the terms of the agreement. The agreement is considered concluded when all parties to the dispute as well as the arbitrator or mediator who was involved in such procedure sign the agreement.

i) In case the parties to the dispute fail to sign the draft agreement, it is assumed that the parties to the dispute do not accept such agreement. An agreement reached between the conflicted parties before the Agency has the power of executive document.

j) The agreement reached by the parties in a legal collective labor dispute amicable resolution procedure has to be made in writing. Based on such agreement, the arbitrator or mediator must prepare all individual agreements which represent the de facto executive document. Individual agreements must be concluded by the worker who was represented in the dispute with the employer.

Box 5. Interest-based collective labor disputes

The set of rules and regulations defining terms and provisions of interest-based collective labor disputes is given by the Law on Amicable Resolution of Labor Disputes No. 91/16. Interest-based collective labor disputes amicable resolution procedure is more specific since the deadlines for the procedure are longer and the decision is made by the Arbitration Council. If a proposal for amicable resolution of interest-based collective labor dispute is submitted by one of the parties to the dispute, the Agency shall forward the proposal and relevant documentation to the other party. The other party is required to provide its opinion on the dispute within 15 days upon receipt of the proposal.

In case the other party to the dispute does not approve the proposal or does not provide all due documentation within the specified deadline, the Agency Director will issue a written conclusion and terminate the procedure. If the other party to the dispute accepts the proposal for amicable dispute resolution, the Agency Director is responsible for appointing the Arbitration Council.

The Arbitration Council consists of three members, each party to the dispute appoints one member while the third member, who has the role of chairman of the Council, is appointed by the Agency Director. The Arbitration Council members are appointed from the list of arbitrators and
mediators. The Arbitration Council has to define relevant rules and procedures on the decision-making process within three days after its establishment. Moreover, it also has to complete the report for the interest-based collective labor dispute resolution and submit it to the Agency Director within 30 days after its creation.

An agreement reached between the parties in the interest-based collective labor dispute becomes an integral part of the Collective Agreement or other parts of the regulation which was the subject of the dispute. Unless the parties to the interest-based collective labor dispute reach an agreement, the Agency Director shall, based on the Arbitration Council report, issue a conclusion and terminate the procedure for the interest-based collective labor amicable dispute.

The procedure before the Arbitration committee is initiated upon proposal by the employer only in case the Trade Unions or Workers Council do not give their consent to terminate the employment contract for the elected representative of workers. The employer submits a proposal within 15 days after receiving the opinion of the Trade Unions or Workers Council.

The Arbitration Committee consists of three members. Each party to the dispute appoints one member while the third member, who has the role of chairman of the Council, is appointed by the Agency Director. The Arbitration Committee consists of a number of arbitrators selected from the list of arbitrators and mediators. The Arbitration Committee must decide upon the rules and the decision-making process within three days after its formation. The composition of the Arbitration Committee must reflect an equal gender representation pursuant to the regulation on gender issues.

The Arbitration Committee is responsible for taking decisions during the process and must submit a report to the Agency Director within 15 days after it is established. The decisions taken by the Arbitration Committee are final and binding to all parties to the dispute.

Each party to the dispute can submit to the Agency Director a request to exclude an arbitrator or mediator as follows:
1) If he/she represents or has represented one of the parties to the dispute in the last three years;
2) If he/she is (i) first-degree relative of one of the parties to the dispute, (ii) up to the fourth generation relative to one of the parties to the dispute (iii) up to the second generation in-law relative to one of the parties to the dispute;
3) If he/she is in any way related to the parties to the dispute, which may affect his/her impartiality.

The Agency Director must decide upon the exclusion of an arbitrator or mediator by making a Decision. The Agency will keep records of the entire process of the amicable resolution.

10.4 Grievance redress mechanisms related to workforce restructuring process

The workforce restructuring process will be subject to the grievance redress mechanisms established by the company and pursuant to the Labor Law and Rulebook on Labor.

In any phase of the procedure when any decision which may affect worker’s individual right is made, workers shall be able to complain first to the General Director (unless General Director is the one who has already made the decision on worker’s right), then through grievance procedure to Grievance Redress Committee established at the Supervisory Board level.
The Committee consists of five members and of the same number of deputies and makes decisions by majority votes at sessions of five members, therefore having sufficient capacity to address worker’s complaints on restructuring procedure. The rule is that the committee must always consists of two lawyers, one of them as Committee Chairman and the other as member.

The Committee’s decision on workers’ requests and complaints shall be final within the Company, and the worker can further protect his/her right before the Agency for Amicable Resolution of Labor Disputes and the competent court.

In its practice, the Committee, in various compositions, has addressed a large number of complaints and requests made by workers (hundreds of cases) on various issues (complaints about redeployment, violation or denial of various rights, complaints on various individual decisions or solutions, etc.). This is known procedure within the Company, and the Committee has sufficient experience and technical capacity to address adequately any potential complaint during the workforce restructuring process.
11 SUMMARY OF MITIGATIONS MEASURES AND PROPOSED ACTIONS

The potential risks and impacts, and the mitigation measures proposed are summarized in the following Table.

Table 8. Mitigation of potential negative impacts

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<th>Proposed Measures</th>
<th>Responsible Party</th>
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| 1  | Effects related to losing a work position                               | 1. Monetary compensation to employees affected by the retrenchment, which consists of (i) severance pay; (ii) payment of outstanding arrears and debt to employees  
2. Employment support from one or both of the following: (i) local employment centers/NGOs, business and innovation centers and institutions; (ii) employment program activities within the Employment Strategy of Republika Srpska  
3. Support from the Employment Service and (if applicable) from other entities and institutions to seek alternative employment opportunities | 1. ŽRS  
2. Employment Service  
3. Other employment assistance providers |
| 2  | Finding a new job                                                      | - Non-monetary compensation upon leaving the company through (i) training and courses; (ii) job searching opportunities; (iii) outplacement; (iv) assistance and advice on unemployment or social security benefits  
- Employment support through information on job opportunities and training on job search | 1. ŽRS  
2. Ministry of Labour and Employment Service  
3. Other employment assistance providers |
| 3  | Tensions between workers and employer                                  | - Social dialogue among all interested actors through frequent consultations, meetings, discussions  
- Support from Human Resources and Legal Services departments as well as special coordinators to provide assistance and clarifications on the procedure and Grievance and Appeals | 1. ŽRS Employee Support Group  
2. Grievance Mechanism Committee |
| 4  | Workers redeployment to other units in the company                     | - Training and re-training of the workforce  
- Assistance on the re-deployments procedure and other arrangements | 1. ŽRS Management, Human resources and Legal Departments |
| 5  | To change place of residence for another workplace                     | - Programs and institutions which provide assistance in searching for new work based on regional and local opportunities | Employment Service |
| 6  | Employees’ perceptions towards the procedure                           | - Information and communications on employees’ rights, employment-related affairs and employment support (unemployment benefits, social assistance, Employment Service, etc.), focusing on the sense of fairness and non-discrimination of the procedure  
- Timely notification of the retrenchment process | 1. ŽRS Employee Support Group and Human Resources  
2. Employment Service  
3. Grievance Mechanism Committee at ŽRS |
| 7  | Vulnerable groups affected by labor restructuring                     | - Protections more vulnerable categories (e.g. war veterans) during retrenchment | 1. ŽRS Management |
12 CONSULTATION PLAN

Upon completion of the final draft of the social assessment report, consultations with relevant stakeholders were organized in order to share information and receive opinions on the ŽRS workforce restructuring process.

The draft social assessment was disclosed in the local language on the ZRS website on July 24, 2017, and in English on the World Bank Infoshop on July 25, 2017. Due to summer holidays, the consultations were carried out in September 2017. This approach enabled ZRS to reach a broader range of stakeholders.

Consultations represented an opportunity to gather further views and opinions, proposals and recommendations, within the context of assessing the implementation throughout the restructuring process as well as an acceptable and adequate implementation of the retrenchment program.

It was proposed to carry out consultations with the following groups of participants:

1. ŽRS Trade Unions organizations
2. Association of Employers, Chambers of Commerce (RS and regional),
3. Local self-governance units (municipalities in which significant number of railways workers would be retrenched),

On September 19 and 20, 2017, consultations were held with above mentioned groups (see detailed minutes of consultations in the Annex 4). Overall, the representatives of various stakeholders pointed to the value of having public discussions on the process of the ZRS restructuring. The National Employment Service representatives expressed that they are ready to provide support to the affected employees. Some union members expressed a concern that the restructuring process lacks clarity and that it is not sufficiently transparent. They are concerned that the labor restructuring may not be carried out fairly. The views and suggestions received from key stakeholders received during consultations are included in this final version of the social assessment.
13 MANAGEMENT ARRANGEMENTS FOR THE RETRENCHMENT PROCESS

13.1 Roles and tasks of the teams who will manage the process of workforce restructuring

ŽRS Management Board will be responsible for the company’s reorganization and restructuring process. ŽRS Management will, in accordance with the Labour Law and internal regulations, be responsible for taking decisions on redundant employees. In particular, General Director of the company, by written authorization, shall delegate other managers, workers or a committee consisting of more workers of the company, to decide upon all or some employment-related rights, obligations and request of the workers related to the retrenchment.

In addition, the company will establish a Working Group within ŽRS to ensure impartiality and non-discrimination when redeploying workers pursuant to the provisions in the new Rulebook on Organization and Systematization of jobs. This group will consist of experienced lawyers employed at ŽRS that are responsible for determining selection criteria according to which employees would be redeployed.

All arrangements and procedures on the monitoring of the entire restructuring and all actions to handle appeals and retrenchment-related grievances and any other legal claims will be handled by the departments responsible for human resources issues and legal affairs. This would include also actions and arrangements related to workers’ termination of employment. Following this line, financial aspects and related arrangements on the implementation of the retrenchment will be managed by the business area of Finance.

Each manager in the company will receive clear instructions from the Management on the procedure to inform workers on the implementation of the restructuring. The management of the company will appoint special coordinators for each unit/section of the company – in the form of individual coordinators or coordination teams – that will act as focal point during the restructuring and will help workers by providing timely, thorough and accurate information and advice on their rights throughout restructuring.

13.2 Retrenchment Plan preparation

The retrenchment plan will be prepared based on the principles and processes as prescribed in the aforementioned laws and in line with well-documented international practice. The retrenchment plan will be prepared prior to the implementation of the retrenchment. The preparation of retrenchment plan shall be in the domain of the business area of the departments responsible for human resources and legal affairs. Among other issues, the retrenchment plan will include various methods for retrenchment, as described in this social assessment, agreed selection criteria and severance payment formulas for various categories of affected workers. The Table of Content for the Retrenchment Plan is included in Annex 3. Draft retrenchment plans will be subject to review and No Objection by the World Bank. As required by the Labor Law, the draft retrenchment plan will be consulted upon with trade unions.
**14 COMPENSATION, AND ADDITIONAL ASSISTANCE TO BE PROVIDED TO RETRENCHED WORKERS**

Different types of compensation are currently being discussed to ensure that adequate compensation will be offered to all employees that will be affected by the restructuring, in order to achieve the project’s objective of restructuring the company’s workforce. All options will aim to that take into account employees different backgrounds, profiles and preferences.

The type of severance packages and social/employment assistance that will be ultimately selected for each category of workers will be agreed by the company’s Management. Depending on this selection, an estimate of the total budget for retrenchment will be calculated. All employees that will leave the company voluntarily or involuntarily, as a result of workforce restructuring, will receive a compensation consisting of a monetary part (severance payment) and employment counseling/training.

### 14.1 Severance/Incentive packages

Employees will be offered a different type of severance/incentive package depending on the following cases:

(i) Retirement benefits;
(ii) Voluntary leaves;
(iii) Involuntary leaves;

(i) **Retirement benefits**

This will consist of a compensation offered to those employees that are eligible for retirement according to the Pension and Insurance Disability Law (see Box 1).

(ii) **Voluntary leaves**

Employees who would be offered the possibility to leave the company voluntarily with severance payment and do not meet the requirements for retirement, would receive a compensation, which will be defined by the Management and consulted with unions. The type of package that could be proposed is currently under consideration.

(iii) **Involuntary leaves**

Employees that would involuntary leave as collective redundancy will be offered a severance payment in accordance with current provisions of the Labor Law. The Law prescribes as the minimum severance payment an amount equaling to one third of the monthly salary for every year of service with the employer.

### 14.2 Additional assistance

All employees affected by the restructuring will have the possibility to receive assistance and support for the Employment Service (as per the Employment Strategy of Republika Srpska for 2016-20 and its partnered institutions and employers), and/or through joint collaborations with local NGOs and other employers / employment centers. For instance, in terms of the support offered
within the Employment Strategy of Republika Srpska for 2016-2020, priority will be given to this group of employees (over the age of 50, technological redundancy) regarding outplacement opportunities with partnered employers and job search assistance.

In case of assistance provided by local NGOs and employment centers/institutions, the type of support proposed would include capacity building and entrepreneurship courses, focusing on developing business activities and other income-earning opportunities. This is related to the logic that employees receive a monetary compensation following their departure from the company (alongside with the payment of debt arrears), which can account for a considerable sum. As a result, they could use the money received to establish some small business activities or self-employment ventures, take up additional training or retraining, etc. With this objective in mind, innovation and entrepreneurship trainings and courses offered by local NGOs and employment centers/institutions can provide employees with the necessary skills and knowledge to help them establish business opportunities and other self-employment ventures that can be profitable as well as sustainable in the long-term.

In addition, the type of employment support proposed may include, among others, also the following:

- counselling for redundant employees;
- identification of alternative employment opportunities depending on local and regional markets;
- advice to retrenchment employees regarding redundancy and pension entitlement (especially for laid-off employees);
- assistance and arrangements to offer guidance in other areas such as financing and business opportunities, debt, state and social benefits;
- additional assistance with CVs and interview techniques, and advice on training opportunities and details of other educational qualifications and re-training.

In particular, it may include the use of job opportunities advertised in press and online, organized job mediation sessions and job opportunities offered on local or regional labor markets, use of modern IT tools for job searching purposes, meetings with selected employers and institutions thereof, information gathering from other job mediation agencies and human resource development or counselling institutes.
15 MONITORING OF THE RETRENCHMENT PROCESS

Monitoring of the retrenchment process will be conducted to on a periodic basis and have the following objectives:
- to evaluate the impact of the labor restructuring program on employees’ welfare and well-being in terms of their socio-economic profile;
- to evaluate the effectiveness of redeployment and training schemes focusing on the situation of workers, the duration of unemployment and the likelihood of laid-off workers staying unemployed;
- to evaluate the impact of labor restructuring on the company’s efficiency, including improvements in labor productivity, and on financial and operational performance.

The monitoring phase will be conducted by specific business areas or units of the company, such as the departments responsible for human resources issues and legal services. Throughout the monitoring phase, all relevant data and documentation will be collected on a periodic basis agreed with the World Bank and used for the preparation of Monitoring Reports as required. The average frequency of the monitoring activities along with the official documentation (including written reports) on the status of the process and conducted activities is currently being discussed by the Management of the Company and will have to undergo review and clearance by the World Bank. The monitoring phase will include the preparation of periodic reports that will cover most or all of the following dimensions related to the labor force restructuring:

1. Description of the activities and processes conducted during the reporting period such as:
   a. Stakeholder Engagement: Report of key discussions, negotiations (e.g. Collective Agreements), meetings held during the reporting period with key stakeholders identified in this assessment and any other actions or arrangements established with Trade Unions or affected employees throughout the reporting period.
   b. Redundancies Identified: Identification of redundancies, including criteria used and numbers of workers identified according to such criteria.
   c. Data: Information on the following:
      i. Total number of employees retrenched (e.g. disaggregated by gender, age group, tenure and type of compensation received)
      ii. Total budget for retrenchment (BAM) vs. (BAM) compensation paid – in total and % during reporting period
      iii. Participation of affected workers in any employment support or assistance programs provided
      iv. Retrenchment-related grievances received and any other pending legal issues, retrenchment-related grievances resolved
      v. Legal claims resolved, legal claims pending
      vi. Legal claims received in the reporting period vs. previous period
      vii. Information from the Employment Office regarding former employees (including how many are still unemployed)

2. Findings and Corrective Actions:
   a. Summary of the results of the ongoing monitoring and status of the Retrenchment Plan;
   b. Identification of any gaps and issues during the retrenchment.
16 SOCIAL IMPACTS OF THE WORKFORCE RESTRUCTURING AND CONCLUSION

It is estimated that the workforce restructuring will generate a positive impact on ŽRS employment structure, by increasing the share of employees with higher and required qualifications. At the company level, the labor restructuring aims to generate a rationalization of current employment structure by ensuring minimum education and qualification requirements to perform a job. The optimization of the restructuring process will ensure higher productivity levels in the medium and long term due to a more effective and efficient distribution and organization of the workforce. The great significance of workforce restructuring for ŽRS lies in long-term decrease in costs of the workforce.

The employees of ŽRS can benefit from the restructuring in the following manner: (i) workers will have the possibility to receive transitional assistance such as training, counselling, and assistance to develop other income-earning opportunities using the severance payment and other compensation provided by ŽRS (ii) the new organizational structure will offer more stable employment prospects for those railway employees who remain in the railway industry. However, the restructuring measures adopted will generate social concerns for those employees who will leave the company and who wish to seek alternative employment.

The impact and duration of the impact of workforce restructuring will depend on external conditions related to the underlying labor market trends along with the specifics of ŽRS labor force profile (e.g. career, education, qualifications). In particular, the main factors influencing the impact of the labor force restructuring are:

- Unemployment in RS
- Employees’ profile

Unemployment rate in Republika Srpska is one of the main concerns for ŽRS employees, which can affect their ability to leave the railways sector and find alternative jobs. ŽRS workers face challenging re-employment circumstances when seeking new jobs in such market conditions. Secondly, it is likely that ŽRS employees cannot be expected to automatically find re-employment in the market after the restructuring.

Many employees have worked for ŽRS for over 20 years and have accumulated significant financial and personal investments with the company (for instance, pension benefits, seniority, organization-specific knowledge). However, due to the nature and specificity of railway jobs, such as train dispatchers, locomotive drivers, etc., it is not easy to re-deploy these workers to other positions within ŽRS. As a consequence, workers in this category would be affected in a higher degree due to the fact that they would face difficult re-employment conditions in the market in case of departure from the company. Labor force restructuring should thus mitigate or avoid disproportionate impact on them.

Other social impacts of the restructuring are related to the gender disparity of the workforce (female workers employed in the Transport and Warehousing sector in RS usually account for 18% of the labor force). Although the gender difference is mainly explained by the type of tasks and activities performed (for instance, men workers are mainly employed in operations positions, while female workers are mostly employed in finance, accounting, legal departments), the workforce restructuring should take a gender element into consideration throughout the process. This is to avoid that female workers are disproportionately affected by the restructuring compared to male workers. One approach to mitigate this impact would be to ensure that the share of male and female employees is kept constant after the restructuring.
ŽRS should consider any social impact of the restructuring on employees with disabilities and reduced ability to work. These employees cannot be easily re-deployed to other jobs within ŽRS, and would face challenging circumstances when seeking other employment opportunities in the market. As a consequence, organizational restructuring should try to avoid generating a disproportionate impact on this category. The situation of workers who are war veterans or surviving family members of soldiers who lost their lives is even more critical since the Labor Law does not grant them any special rights. As a result of this situation, any disproportionate impact on this group would create opposition from the broader community.

Given these social circumstances of the restructuring, estimated negative social effects - even in the case of voluntary departure - can be significantly reduced by offering a range of supportive initiatives and measures to all employees affected. In particular, these measures and initiatives should target employment assistance programs that allow employees to find financially sustainable opportunities in view of their particular skills and which are related to their age, gender and careers profile and preferences. Moreover, these measures should go beyond the mere support currently provided by the Employment Service and could encompass, among others: re-training; training on on-line job search tools; employment and personal counselling; part-time work; upgrading of qualifications; and other technical training and preparation for employment.

Other alternatives to maximize the positive impact of the restructuring on ŽRS workers could include capacity-building and entrepreneurship courses focused on developing income-earning opportunities and small businesses. Employees that leave the company voluntarily and involuntarily will receive a severance payment alongside with the payment of debt arrears, which jointly account for a considerable amount. This, in turn, could encourage workers to take up some small business activities or self-employment endeavours. Within this context, innovation and entrepreneurship trainings and courses can provide employees with the necessary skills and knowledge to help them develop other employment opportunities that can be profitable as well as financially sustainable in the long-term.

Finally, ZRS will establish grievance redress mechanisms available to employees affected by restructuring. The benefits of having a well-defined and clear set of procedures to address any social issues related to the restructurings are two-folds. Firstly, having an appeal and grievance procedure allows to provide a sense of fairness and impartiality to the entire process, building at the same time a more socially inclusive process, where the discussion is brought down at the single employee level. Secondly, having an adequate and efficient redress mechanism in place provides the workers with an avenue to appeal without going through the more expensive judicial procedure.
ANNEX 1

Table 9. Macroeconomic indicators for Republika Srpska

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP (nominal) – BAM (millions)</td>
<td>8,682</td>
<td>8,585</td>
<td>8,761</td>
<td>8,847</td>
<td>8,873</td>
<td>9,135</td>
</tr>
<tr>
<td>Population (in millions)</td>
<td>1.43</td>
<td>1.43</td>
<td>1.43</td>
<td>1.42</td>
<td>1.42</td>
<td>1.42</td>
</tr>
<tr>
<td>GDP per capita in BAM</td>
<td>6,073</td>
<td>6,006</td>
<td>6,146</td>
<td>6,225</td>
<td>6,256</td>
<td>6,454</td>
</tr>
<tr>
<td>% GDP growth, nominal</td>
<td>4.4%</td>
<td>-1.1%</td>
<td>2.1%</td>
<td>1%</td>
<td>0.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>% Real GDP growth rate</td>
<td>0.8%</td>
<td>-1.1%</td>
<td>1.9%</td>
<td>0.2%</td>
<td>1.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Inflation - annual rate</td>
<td>3.9%</td>
<td>2.1%</td>
<td>0%</td>
<td>-1.2%</td>
<td>-1%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Average net wages in BAM</td>
<td>809</td>
<td>818</td>
<td>808</td>
<td>825</td>
<td>833</td>
<td>842</td>
</tr>
<tr>
<td>Imports in millions BAM</td>
<td>4,578</td>
<td>4,488</td>
<td>4,558</td>
<td>4,946</td>
<td>4,575</td>
<td>4,777</td>
</tr>
<tr>
<td>Import growth in%</td>
<td>13%</td>
<td>-2%</td>
<td>1.6%</td>
<td>8.5%</td>
<td>-7.5%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Exports in millions BAM</td>
<td>2,561</td>
<td>2,375</td>
<td>2,604</td>
<td>2,692</td>
<td>2,613</td>
<td>2,744</td>
</tr>
<tr>
<td>Export growth in%</td>
<td>17.6%</td>
<td>-7.3%</td>
<td>9.7%</td>
<td>3.4%</td>
<td>-2.9%</td>
<td>5%</td>
</tr>
<tr>
<td>The percentage of imports over exports in %</td>
<td>55.9%</td>
<td>52.9%</td>
<td>57.1%</td>
<td>54.4%</td>
<td>57.1%</td>
<td>57.4%</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>24.5%</td>
<td>25.6%</td>
<td>27%</td>
<td>25.7%</td>
<td>25.2%</td>
<td>24.7%</td>
</tr>
</tbody>
</table>


Data for 2015 and 2016 refer to assessments (2015) and projections (2016) made by the Ministry of Finance of Republika Srpska.
Table 10. Duration of unemployment by gender and age

<table>
<thead>
<tr>
<th>Duration</th>
<th>From 15 to 29 years</th>
<th>From 30 to 44 years</th>
<th>From 45 to 54 years</th>
<th>From 55 to 65 years</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>% TOTAL</td>
<td>Total</td>
<td>% TOTAL</td>
<td>Total</td>
</tr>
<tr>
<td>0-1</td>
<td>15,986</td>
<td>40%</td>
<td>9,619</td>
<td>20%</td>
<td>4,116</td>
</tr>
<tr>
<td>1-3</td>
<td>13,548</td>
<td>34%</td>
<td>10,644</td>
<td>22%</td>
<td>5,035</td>
</tr>
<tr>
<td>3-5</td>
<td>5,770</td>
<td>14%</td>
<td>7,559</td>
<td>16%</td>
<td>3,879</td>
</tr>
<tr>
<td>5-7</td>
<td>2,778</td>
<td>7%</td>
<td>5,832</td>
<td>12%</td>
<td>2,893</td>
</tr>
<tr>
<td>7-9</td>
<td>1,454</td>
<td>4%</td>
<td>4,062</td>
<td>8%</td>
<td>2,180</td>
</tr>
<tr>
<td>9+</td>
<td>781</td>
<td>2%</td>
<td>433</td>
<td>22%</td>
<td>6,465</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40,317</td>
<td>19,320</td>
<td>48,558</td>
<td>25,165</td>
<td>30,782</td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20 - ZZZRS.
Data collected for December 31st 2015

Table 11. Analysis of unemployment by duration of unemployment and education level

<table>
<thead>
<tr>
<th>Duration</th>
<th>NK</th>
<th>PK-NSS</th>
<th>KV</th>
<th>SSS</th>
<th>VKV</th>
<th>Higher education</th>
<th>VSS</th>
<th>TOTAL</th>
<th>% Of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1 y</td>
<td>4,044</td>
<td>310</td>
<td>9,950</td>
<td>10,985</td>
<td>202</td>
<td>368</td>
<td>5,769</td>
<td>31,628</td>
<td>23.8%</td>
</tr>
<tr>
<td>1-3 y</td>
<td>4,233</td>
<td>392</td>
<td>9,583</td>
<td>9,727</td>
<td>197</td>
<td>381</td>
<td>5,138</td>
<td>29,651</td>
<td>22.3%</td>
</tr>
<tr>
<td>3-5 y</td>
<td>3,891</td>
<td>350</td>
<td>6,534</td>
<td>5,385</td>
<td>126</td>
<td>285</td>
<td>2,311</td>
<td>18,882</td>
<td>14.2%</td>
</tr>
<tr>
<td>5-7 y</td>
<td>3,675</td>
<td>329</td>
<td>5,251</td>
<td>3,957</td>
<td>126</td>
<td>230</td>
<td>5,690</td>
<td>14,258</td>
<td>10.7%</td>
</tr>
<tr>
<td>7-9 y</td>
<td>3,093</td>
<td>261</td>
<td>3,942</td>
<td>2,517</td>
<td>100</td>
<td>167</td>
<td>2,211</td>
<td>10,301</td>
<td>7.7%</td>
</tr>
<tr>
<td>over 9 y</td>
<td>8,963</td>
<td>906</td>
<td>10,756</td>
<td>6,921</td>
<td>272</td>
<td>321</td>
<td>1,822</td>
<td>28,321</td>
<td>21.3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>27,899</td>
<td>2,548</td>
<td>46,016</td>
<td>39,492</td>
<td>1,023</td>
<td>1,752</td>
<td>14,311</td>
<td>133,041</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Employment Strategy for Republika Srpska 2016-20 - ZZZRS
Data collected for June 30th 2016

From left to right, NK-non skilled worker (primary school), PK-semi skilled worker (1-2 years of vocational school), KV-skilled worker (3-4 years of vocational school), SSS – secondary professional qualification (4 years of technical secondary school), VKV – highly skilled worker (5 years of vocational school), VŠ – two years of university education, VSS-4 years of university education.
ANNEX 3

Outline for Retrenchment Plan

1. Description of Anticipated Retrenchment and Rationale
   - Verification that retrenchment is necessary – are there viable alternatives to job losses? (i.e. freeze on new hiring, enforcement of retirement ages, reduction in hours worked by existing staff, outsourcing of activities, restricting use of agency and contract workers, internal transfers and redeployment, transfer of employees to other companies, reduction in salaries, etc.
   - Anticipated magnitude, rationale, and timeframe of retrenchment
   - Characteristics of the labour force (number of men and women employed by skill level and type of contract);
   - Adequacy of current staffing levels and need for retrenchment from a business point of view;
   - Size of the planned retrenchment (number of men and women to be retrenched by skill level and type of contract)
   - Retrenchment schedule.

2. Relevant economic context
   - Local labour market summary
   - Importance of the company in the national economy;
   - Main trends in the sector in which the company operates (e.g., projected growth, level of employment, wages, foreign and domestic investment).

3. Profile of affected workers information
   - From what areas and groups of workers will the cuts come?
   - What is the gender breakdown of the workers to be retrenched versus those who are to be retained? How employable are the workers to be retrenched and what is the job market like for the types of skills they possess? What are the workers’ rights and obligations in relation to job loss by terms of their contracts of employment and entitlements and with respect to collective agreements and local and international rules?

4. Retrenchment methods and procedures
   - Anticipated methods for retrenchment - e.g., voluntary retirement, voluntary separation with severance packages, involuntary termination of employment, etc.
   - Selection criteria for worker dismissal and strategies to prevent the disproportionate representation of a social group (e.g., women, persons with disabilities, etc) among the retrenched workers.
   - Selection criteria are one of the key components of the retrenchment. Selection criteria should be fair, transparent and based on the principle of non-discrimination. Selection criteria should be consulted upon with unions.

5. Consultation and negotiation process - e.g., with labour organizations, workers’ representatives, community organizations, government representatives, and NGOs.
   - Public disclosure. After consultation, publicly announce the number of dismissals that will take place and the manner in which employees will be selected for dismissal.

6. Legal/Institutional Framework
   - Legislation applicable to retrenchment including on early retirement options, and severance payment
   - Provisions on retrenchment included in Collective Agreements
   - Legal role of trade unions or other representative bodies in the retrenchment process
- Compliance of planned retrenchment with applicable legislation and agreements
- Coverage of redundant workers by unemployment insurance or other social security programs
- Eligibility of part-time or contracts workers to receive benefits or support

7. Management Arrangements for the Retrenchment Process
- Roles and responsibilities of teams(s) who will direct/supervise the retrenchment process and prepare retrenchment plans;
- Grievance and appeal procedures – describe available grievance and appeals procedures at the company level and in the judicial systems.

8. Anticipated impacts on retrenched workers and communities - prospects for retrenched workers (market demand for their skills and alternative sources of income/employment); eligibility of retrenched workers for unemployment or other benefits; impacts on wider communities and remedial measures proposed.

9. Compensation and additional assistance to be provided to retrenched workers
- Compensation (e.g. incentive packages, severance payment, etc.) to be provided to various categories of affected workers
- Formulas for calculating severance payment
- Any additional training programs and job search programs; career counseling and assistance to set up micro-enterprises.
- Include Total budget for retrenchment

10. Monitoring of the retrenchment process
- Indicators to be monitored (e.g., situation of the retrenched workers, payment of severance, outcomes of assistance provided);
- Frequency of monitoring activities and who will undertake the monitoring

11. Supporting documentation - legal/institutional frameworks (legislation that applies to early retirement, provision of affected workers); record of consultations with workers and unions.
ANNEX 4

ŽELJEZNICE REPUBLIKE SRPSKE A.D.

DOBΟJ

MINUTES

of the meeting held on 19 September 2017 (Tuesday), beginning at 11:00 at the premises of the ŽRS Headquarters in Doboj (room 39), with representatives of ŽRS Trade Unions, Alliance of RS Trade Union and Confederation of Trade Unions of Republika Srpska.

Representing ŽRS, the meeting was attended by the members of the Board of Directors as follows: acting Director General, Mr. Dragan Savanović, acting Executive Director, Department of Infrastructure, Mr. Boško Prelić, Assistant to the Director General for legal affairs, Mr. Dalibor Đurđić and representatives of the Project Implementation Unit (PIU): Mrs. Gordana Ilinčić, Mrs. Draženka Lalić, Mrs. Branislav Đurica, Mr. Željko Popović and Mrs. Tatjana Nikolić.

Representing ŽRS trade unions, the meeting was attended by: Mr. Goran Čamdžić, representing Independent Trade Union of Track Vehicles Maintenance, Mr. Nikola Stojanović, Trade Union of ŽRS Infrastructure Workers Doboj, Mr. Radenko Topić, Trade Union of ŽRS Train Drivers, Banja Luka, Mr. Predrag Maletić, Independent Trade Union of Traffic and Transport Activity in ŽRS, Mr. Goran Petković, Independent Trade Union of Traffic and Transport Activity in ŽRS, Mr. Simo Cvjetković, Independent Trade Union of ŽRS Train Drivers, Mr. Milijan Marković, Trade Union of ŽRS Workers.

Representing Confederation of Trade Unions of Republika Srpska, the meeting was attended by Mr. Obrad Belenzada and there were no representatives of Alliance of RS Trade Unions.

This meeting’s topic was introduction of the invited representatives with the Restructuring Project and the document titled “Draft Social Assessment, September 2017”.

The introductory speech on the subject matter was given by the acting Director General, Mr. Dragan Savanović, who later gave the floor Mrs. Ilinčić, the head of the Project Implementation Unit (hereinafter referred to as PIU). Mrs. Ilinčić introduced the participants to the stages of the restructuring project, with a detailed explanation of the procedure for drafting the necessary documentation for the approval of the Loan, and emphasized the fact that the Loan had not yet been approved. Furthermore, she gave a detailed explanation on the Railway Modernization Project, which shall be financed by the World Bank, including the following components: financial restructuring, labor restructuring and organizational restructuring.

Moreover, she introduced the participants with the contents of the Social Assessment, where she stated several times that the reference number (initial basis) for the workforce restructuring process is 3,098 workers. She also introduced the participants to the legislation that accompanied the ŽRS restructuring project, explained the methods for resolving redundancies, explained each method in detail, and reiterated that this still had been a draft document. Furthermore, Mrs. Ilinčić pointed out that the information procedure on the workforce restructuring and grievance mechanisms that are satisfactory to the World Bank, and that the entire project is under supervision of the World Bank. Her presentation ended with the conclusions.
After the introduction, all the attendants alternately took the floor.

Mr. Goran Petković asked the ŽRS Board of Directors whether the BoD believed the company could operate with this reduced number of employees. Acting Director General responded that ŽRS could operate with that number of workers, further explaining the scope and organization of work and stressing that, with introduction of new technologies, the need for a certain workforce would cease.

Mr. Željko Popović engaged in the discussion with an explanation related to the revenues from passenger traffic, which in the restructuring process would be specified within the multi-annual PSC.

Mr. Goran Petković asked the BoD who would guarantee that everything stated in the Draft would be implemented. He wanted to know how serious this story was. Acting Director General responded that the work on this project had been lasting for more than a year, that the project was initiated by the RS Government in cooperation with the World Bank, further explaining the ŽRS restructuring procedure.

Additional explanations were provided by Mrs. Ilinčić, as well as Mr. Đurica. They stated that the Project had to be approved at country level and that, besides ŽRS, there were also obligations for RS Government, as well as the World Bank.

Mr. Goran Petković asked who estimated that ŽRS had a surplus of 1000 workers and explained that he had information that this was a prerequisite set by ŽRS and not WB. Acting Director General explained in detail that there would be no layoffs up to 1000 workers immediately, but that this was planned within a 4-year period, bearing in mind that the number of 500 workers is planned to be reduced in the first year.

Mr. Goran Čamdžić presented his view of the situation. He believed that everything was not serious, that for such a serious job a short deadline was given, that the 2-day deadline was too short to read the document in order to comment on the draft restructuring of the workforce, layoffs and the sale of parts of the Company.

Mr. Savanović interrupted Mr. Čamdžić and asked him to explain who mentioned the sale of parts of the Company at all. Mr. Čamdžić continued his presentation and explained that he supported the presentation in terms of passenger traffic, but believed that the operation of the workshops for the maintenance of rail vehicles Prijedor was poorly assessed and thereby the Rulebook on organization and systematization of jobs was not drafted well for this organizational part. He explicitly stated that the Trade Union of Track Vehicles Maintenance Prijedor would not support this project until the systematization is made according to their request, and that they would not provide consent for the surplus of the workers.

Mrs. Ilinčić again explained the SA document in detail, that it was posted on ŽRS website on 24 July 2017, and that everyone had enough time to declare, and therefore the remark made by Mr. Čamdžić was not appropriate in terms of seriousness of the 2-day deadline because this was not true. Mr. Čamdžić disagreed with the explanation and emphasized that he has no legal obligation to monitor latest developments on ŽRS website.

Mr. Milijan Markovic read the e-mail he received and the deadline mentioned therein, stating that he would deliver remarks to the given email address by Friday, pointing out that he did not agree with some parts of the text in the document, which he would also state in his remarks.

Mr. Obrad Belenzada, representative of the RS Confederation of Trade Unions, supported the restructuring project done in cooperation with the World Bank, and urged the RS Government to adopt the necessary laws, primarily referring to the Lex specialis. He believed that the project should not be implemented under the law on bankruptcy. He also noted that the RS Government bore great responsibility. He stated that the document had been read, and that he supported it in general. He insisted again that the RS Government was required to adopt Lex specialis for the purpose of restructuring process.

Mr. Dalibor Đurđić explained in detail the methods for retrenchment, the implementation of RS Labor Law and Bankruptcy Law, as well as the proposed Lex specialis. He stressed the natural attrition of workers through retirement and voluntary departure of workers with stimulating severance pays.

Mr. Radenko Topić declared that he fully supported the Project and the SA document, and emphasized that everyone should support the retrenchment through retirement and severance pays. He said that everyone should be fully engaged to bring the entire restructuring process to completion. He asked the BoD whether...
new decisions or new contracts according to the new systematization would be issued by the end of the year and asked about the workers who would not be offered new contracts. He wanted clarification on the term “status of unassigned worker/in the status of waiting list”.

Mr. Đurđić explained that, without the financial support, we could not state "possible employee surplus". He emphasized that we received promises from the RS Government that the laws would be harmonized. Particular attention had been given not to harm the workers. And in terms of "status of unassigned worker/in the status of waiting", he believed that it was not appropriate to open the discussion.

Mr. Simo Cvjetković pointed out in his presentation that Independent Trade Union of ŽRS Train Drivers (ITUTD) on 7 August 2017 submitted its response to the SA document, and that the ITUTD was aware that ŽRS had to undergo restructuring, but considered that the amount of EUR 38.5 million is very high and that ŽRS must increase its revenues to create an internal reserve. He suggested that ŽRS should increase its revenues primarily by not hiring freight forwarders for the transport of goods, and that this work should be done by ŽRS itself, to harmonize the Collective Agreement, and to introduce order in public procurements, primarily through stock tracking. He disagreed with the allegations in the document relating to the Collective Agreement. He reiterated that they are aware of the fact that the ŽRS has to conduct the restructuring process and called up increase in revenues.

Mr. Cvjetkovic raised the question of whether the model of Slovenian Railways for disabled persons would be applied to ŽRS as there were many disabled persons working at ŽRS. At the end of his presentation, he said that he would send again suggestions to the provided e-mail address by Friday.

Mrs. Ilinčić and Mr. Savanović believed that the model of Slovenian Railways was very good, explaining that organizational restructuring foresaw the creation of profit centers and that a company for disabled persons could be established, but that this would be decided in the second stage of the restructuring.

Mr. Predrag Maletic expressed suspicion of seriousness, raised the question of whether the meeting was being recorded and whether the minutes would be produced, that the unions are placed in an unequal position because of the short deadline for giving opinions to the document. He emphasized his dissatisfaction and the fact that he represented a significant number of workers, i.e. 800 workers, and that he supported the opinion and position of Mr. Čamdžić. He also expressed doubts about statements other representatives of the trade unions had made.

In response to Mr. Maletić, the Director General said that he did not share his opinion and stressed that everyone should act as partners in the restructuring process rather than the opposing parties.

The meeting was closed at 13:25.

Attached to the Minutes is the table, duly signed by all the attendants, as well as individual comments/remarks received by email.
<table>
<thead>
<tr>
<th>Р. Бр.</th>
<th>ИМЕ И ПРЕЗИМЕ</th>
<th>СИНДИКАЛНА ОРГАНИЗАЦИЈА / ИНСТИТУЦИЈА / УДРУЖЕЊЕ</th>
<th>ПОТПИС</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Goran Ćamodžić</td>
<td>Sam. Sind. Održavanja Sinskog vozila ZS</td>
<td>Д. Павлович</td>
</tr>
<tr>
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# Састанак на тему „Пројекат реструктурисања и социјална процења“;
# Добој; 19.09.2017. године, 11.00 часова
# (Синдикалне организације)

<table>
<thead>
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<th>Име и презиме</th>
<th>Позиција</th>
<th>Написане ниже</th>
</tr>
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of the meeting held on 19 September 2017 (Tuesday), beginning at 13:30 at the premises of the ŽRS Headquarters in Doboj (room 39), with representatives of municipalities, cities and ZZZRS (National Employment Service) branches.

Representing ŽRS, the meeting was attended by the members of the Board of Directors as follows: acting Director General, Mr. Dragan Savanović, acting Executive Director, Department of Infrastructure, Mr. Boško Prelić, and representatives of the Project Implementation Unit (PIU): Mrs. Gordana Ilinčić, Mrs. Draženka Lalić, Mrs. Branislav Đurica, Mr. Željko Popović and Mrs. Tatjana Nikolić.

Representing PI RS Employment Service, Doboj Branch, the meeting was attended by Mr. Ognjen Subotić,
Representing Municipality of Novi Grad, the meeting was attended by Mr. Branislav Dmitrašinović,
Representing Municipality of Petrovo, the meeting was attended by Mr. Željko Đurić.
Representatives of all the municipalities and cities where the railway line runs, as well as representatives of all ZZZRS branches, also received the invitation to attend this meeting.

This meeting’s topic was introduction of the invited representatives with the Restructuring Project and the document titled “Draft Social Assessment, September 2017”.

The introductory speech on the subject matter was given by the acting Director General, Mr. Dragan Savanović, who later gave the floor Mrs. Ilinčić, the head of the Project Implementation Unit (hereinafter referred to as PIU). Mrs. Ilinčić introduced the participants to the stages of the restructuring project, with a detailed explanation of the procedure for drafting the necessary documentation for the approval of the Loan, and emphasized the fact that the Loan had not yet been approved. Furthermore, she gave a detailed explanation on the Railway Modernization Project, which shall be financed by the World Bank, including the following components: financial restructuring, labor restructuring and organizational restructuring.

Moreover, she introduced the participants with the contents of the Social Assessment, where she stated several times that the reference number (initial basis) for the workforce restructuring process is 3,098 workers. She also introduced the participants to the legislation that accompanied the ŽRS restructuring project, explained the methods for resolving redundancies, explained each method in detail, and reiterated that this still had been a draft document. Furthermore, Mrs. Ilinčić pointed out that the information procedure on the workforce restructuring and grievance mechanisms that are satisfactory to the World Bank, and that the entire project is under supervision of the World Bank. During her presentation she stressed the importance of local communities and funds. Her presentation ended with the conclusions drawn from the document at 14:15 and then she gave the floor to other representatives.

Firstly, representative of the PI RS Employment Service, Doboj Branch, Mr. Ognjen Subotić, provided his opinion. Mr. Subotić supported the whole project, stating that the Service would be at disposal of
both employers and workers. He said that he did not have a clear understanding on the following wording in the Social Assessment document "Assistance and arrangements to offer guidance in other areas such as investment opportunities, funding, state resources and benefits, and domestic budgeting", and asked if it had been transcribed from a law or by-law. He sought clarification, because the role of the Service is advisory exclusively.

Mrs. Ilinčić explained that she was indeed referring to advisory purpose and providing guidance, and that the document was made in cooperation with and pursuant to World Bank's requests. Representative of Office of the Mayor of Novi Grad, Mr. Branislav Dmitrašinović, said he supported the project in full, and stated that the Municipality of Novi Grad in its capacity is ready to help workers to fall under technological redundancy, that the municipality monitored developments in the Railways and that they had already submitted their views on the current situation in terms of new organization and systematization. He believed that there would be no large number of workers from the municipality of Novi Grad who would need to be retrenched, since most of them work as operational staff.

Finally, Mr. Željko Đurić, representative of Petrovo Municipality, stated his opinion. Likewise, he also emphasized that he fully supported the project, stating that this was inevitable and that ŽRS needed and had to undergo the restructuring process. The municipality would monitor the latest developments, given the fact that a significant number of residents of the municipality of Petrovo are employed by ŽRS.

Mr. Savanović once again thanked the audience for their attendance and expressed his regret that other municipalities and cities, especially Doboj and Banja Luka, did not send their representatives. The meeting was concluded at 14:50.

Attached to this Minutes is a table, duly signed by all the attendants.
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<th>СИНДИКАЛНА ОРГАНИЗАЦИЈА / ИНСТИТУЦИЈА / УДРУЖЕЊЕ</th>
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of the meeting held on 20 September 2017 (Wednesday), beginning at 11:00, at the premises of RS Chamber of Commerce in Banja Luka (large hall), attended by representatives of the RS Ministries, director of RS Employment Service (ZZZRS), representatives of the Chamber of Commerce and RS Union of Employers.

Representing ŽRS, the meeting was attended by the members of the Board of Directors as follows: acting Director General, Mr. Dragan Savanović, acting Executive Director, Department of Infrastructure, Mr. Boško Prelić, and representatives of the Project Implementation Unit (PIU): Mrs. Gordana Ilinčić, Mrs. Draženka Lalić, Mrs. Branislav Đurica, Mr. Željko Popović and Mrs. Tatjana Nikolić.

The following participants also attended the meeting:
- representing RS Ministry of Industry, Energy and Mining, Mr. Boris Adamović,
- representing RS Ministry Spatial Planning, Civil Engineering and Ecology, Ms. Ljiljana Stanišljević,
- representing RS Ministry of Labor and Veterans, Mr. Rajko Klčković,
- representing RS Ministry of Transport and Communications, Mrs. Danka Panić-Åšanin and Mrs. Vesna Vožni,
- representing RS Chamber of Commerce, Mr. Dragoslav Mihajlović and representing RS Union of Associations of Employers (UUPRS), Mr. Dejan Mijić and Mr. Saša Aćić.

Representatives of the RS Ministry of Finance, Ministry of Justice and Ministry of Education, as well as the Director of the RS Employment Service did not attend to the meeting.

This meeting’s topic was introduction of the invited representatives with the Restructuring Project and the document titled "Draft Social Assessment, September 2017".

The introductory speech on the subject matter was given by the acting Director General, Mr. Dragan Savanović, who later gave the floor Mrs. Ilinčić, the head of the Project Implementation Unit (hereinafter referred to as PIU). Mrs. Ilinčić introduced the participants to the stages of the restructuring project, with a detailed explanation of the procedure for drafting the necessary documentation for the approval of the Loan, and emphasized the fact that the Loan had not yet been approved. Furthermore, she gave a detailed explanation on the Railway Modernization Project, which shall be financed by the World Bank, including the following components: financial restructuring, labor restructuring and organizational restructuring.

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Later on, Mr. Dejan Mijic, representative of UUPRS and the general manager of the bus company ‘Autoprevoz’ from Banja Luka, stated his opinion. Mr. Mijic supported the Project with the suggestion that the labor redundancy should be analyzed as soon as possible because there is a need for a certain type of workforce in the labor market. Mr. Mijic specifically mentioned that there is a shortage of car mechanics, as well as category C and D drivers. He emphasized that his company was willing to consider the possibility of taking over some of the workers with this qualification, because there is room for employment for this staff, i.e. their retrenchment. He believed that the only thing that can revitalize public enterprises is their restructuring process, but that it is necessary to prepare well all the steps before the implementation itself.

The representative of the Chamber of Commerce, Dragoslav Mihajlovic, also supported the Project in its entirety and suggested that the story of the restructuring process must be accompanied by a better media coverage, that the public must be better acquainted with the details, especially through public broadcasts of the dialogue between the host and representative of ŽRS. He thought that the public knows very little about the restructuring process and what that means for the railways.

Representative of the Ministry of Labor and Veterans-Disabled Persons' Protection, Mr. Rajko Kličković emphasized that he would not speak as a representative of the Ministry, but as an expert on labor relations with a long-term experience. He considered that it is necessary to rely primarily on the employee retrenchment program as regulated by the Labor Law, and that, in the process of retrenchment, one of the main criteria should be pursued, which is the retirement of workers under Article 178 of the Law on PDI and that, in this context, following agreement with the trade unions, these workers should be provided with some form of stimulation to retire before turning 65 years of age. Nevertheless, he stated that, should the RS Government adopt the law on retrenchment, we would all be obliged to implement it.

Mrs. Danka Panic-Ašanin, representative of the Ministry of Transport and Communications, presented the opinions and procedures resulting from the preparation of a law on retrenchment in public enterprises under restructuring.

In his presentation, UUPRS representative, Mr. Saša Aćić supported the Project and in a dialogue with Mr. Savanović briefly analyzed all stages of the railways restructuring project with an emphasis on railway investments to follow after restructuring. He shared his opinion with Mr. Mihajlović that this Project must be more media-oriented.

Representative of the Ministry of Industry, Energy and Mining, Mr. Borislav Adamović, considered it necessary to conduct the restructuring process with the suggestion that it should start as soon as possible.

The meeting was closed at 13:30.

Attached to the Minutes is the table, duly signed by all the attendants.
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