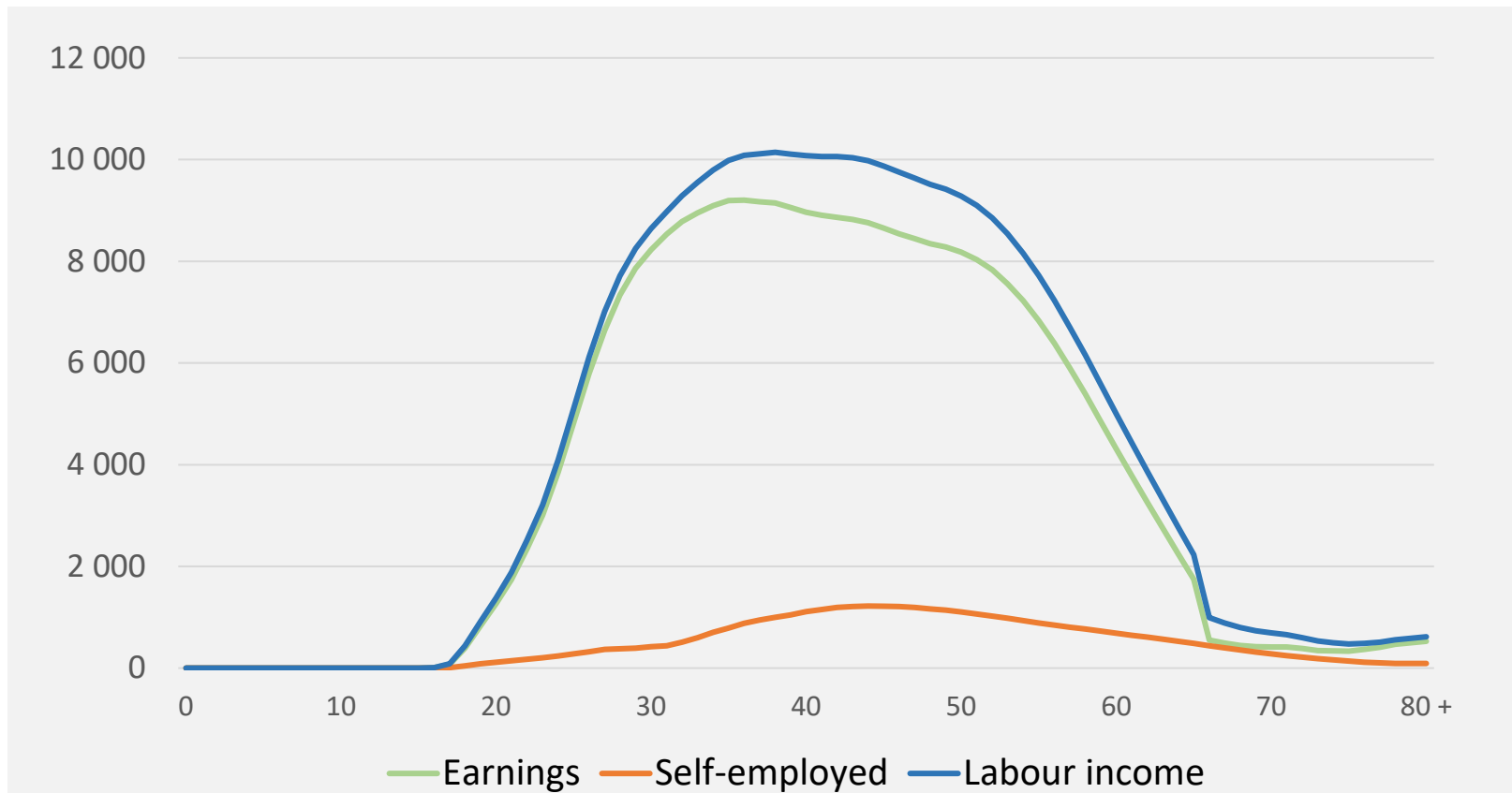# Pension System in Bosnia and Herzegovina

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NTA findings of particular relevance for the pension systems in BiH
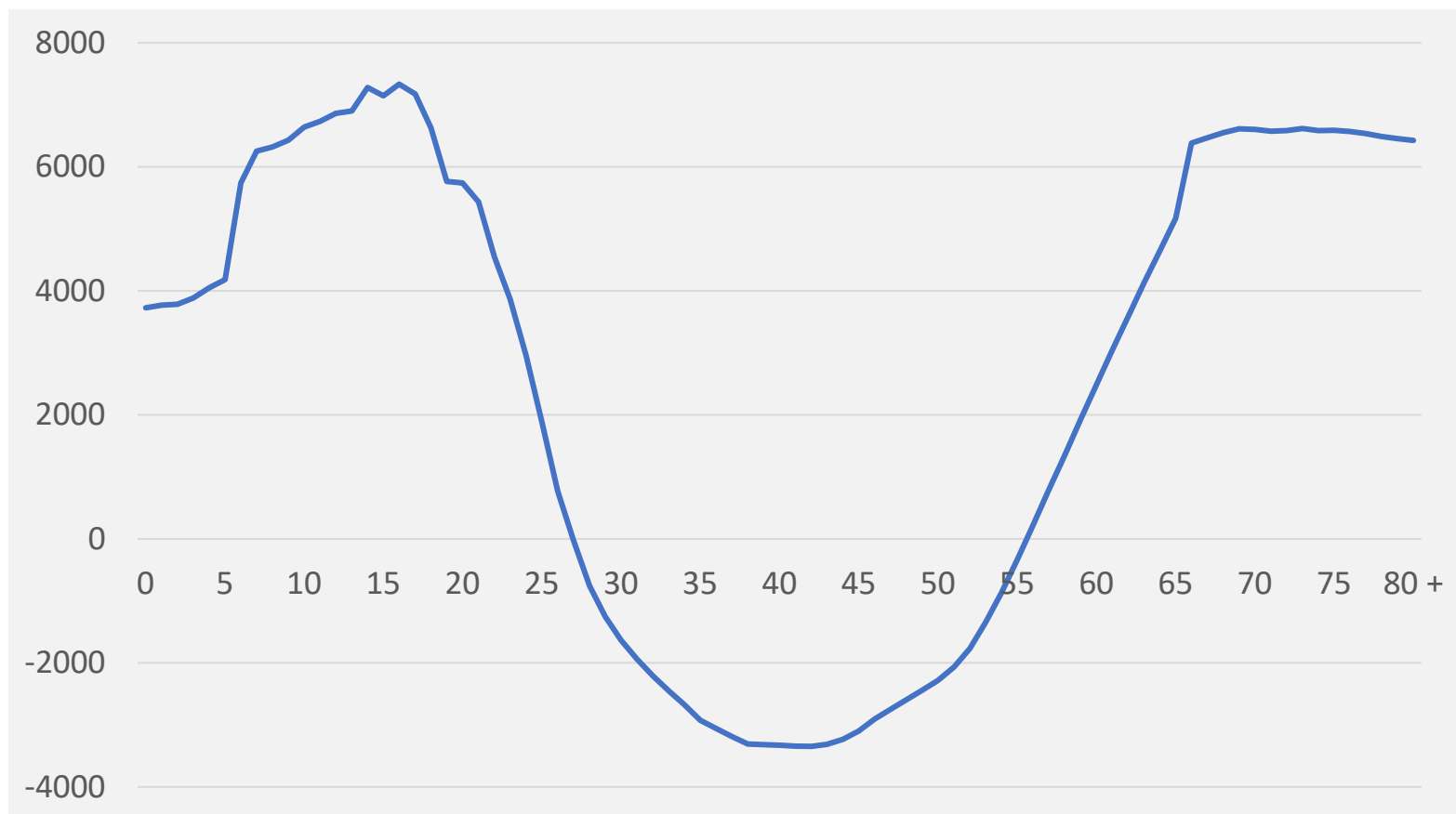

Labor income **declines substantially early in the life cycle.**

Aalready upon attaining the **age of 55.**

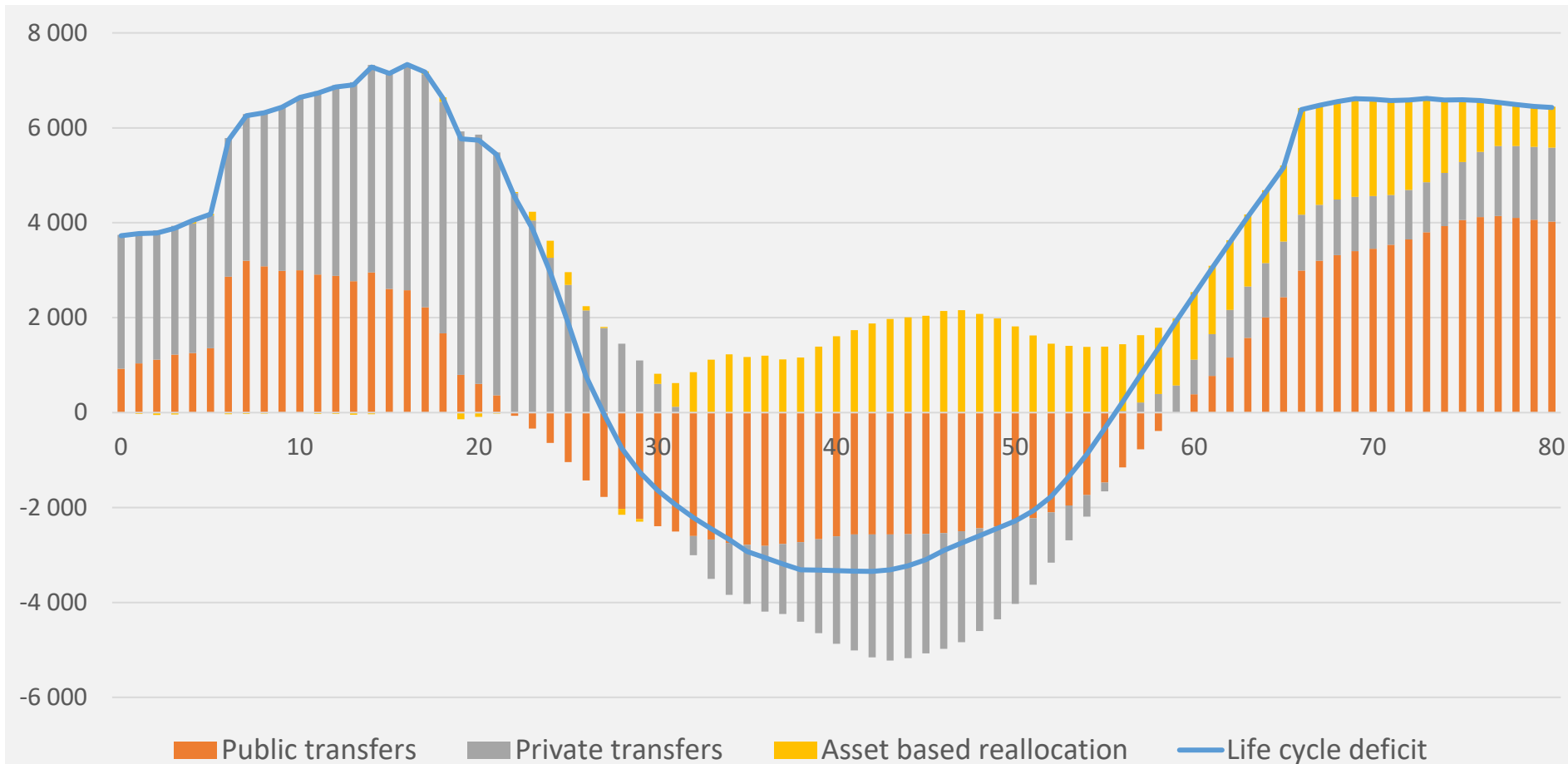Figure 1: Age profile of labour income, BiH, (BAM pc)

NTA findings of particular relevance for the pension systems in BiH

Labour income to consumption surplus span **lasts only 29 years**, and the deficit occurs as early as the age of 55.

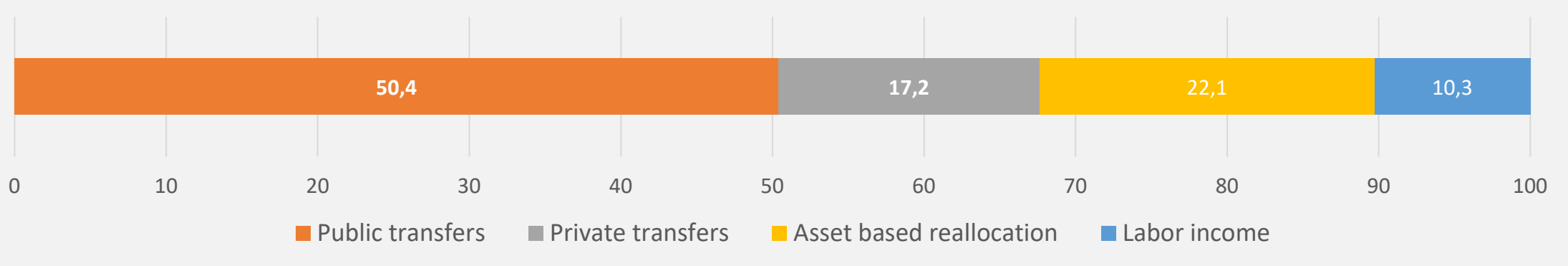The overall deficit-to-surplus ratio is unfavourable

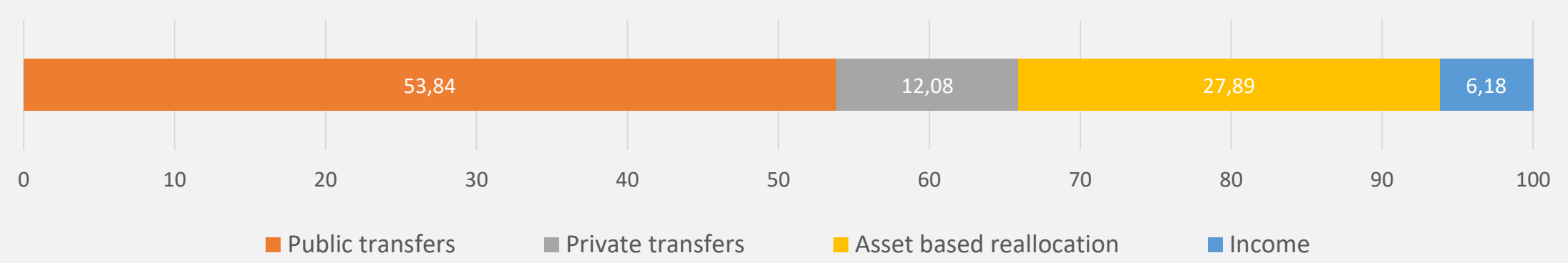# Life-cycle deficit funding per capita

Funding of older people's consumption (65+)

Around 28% of total public transfers is directed at older people (65+), predominantly through pension benefits.

BiH

Public transfers	Private transfers	Asset based reallocation	Labor income
50,4	17,2	22,1	10,3

FBiH

Public transfers	Private transfers	Asset based reallocation	Income
53,84	12,08	27,89	6,18

RS

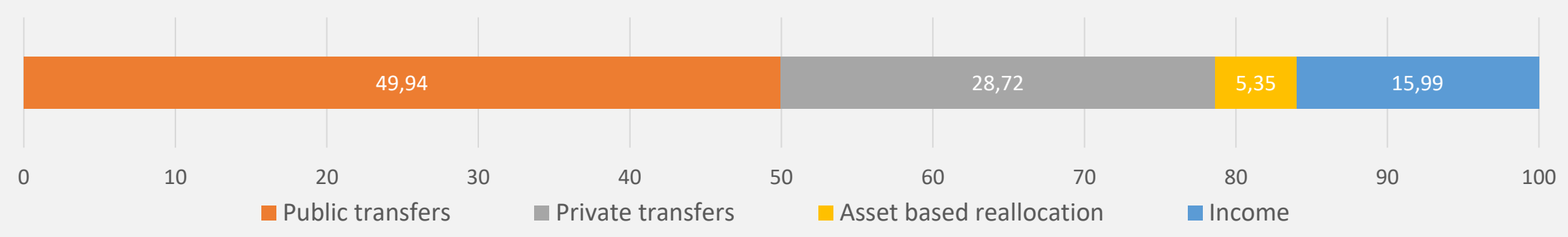| Public transfers	Private transfers	Asset based reallocation	Income
49,94	28,72	5,35	15,99

Pension system challenges

- Two entities (FBiH and RS) have been operating **separate public pension systems.**

- Performances of both FBiH and RS pension systems face similar challenges: **low support ratio, high pension expenditures, and low pension adequacy.**

- RS led the reform process by launching a **pension reform in 2011.**

- Reforms in FBiH have been **implemented in 2018**, resulting in a system with similar parameters to those of RS.

Number of pensioners by entity:
very similar trends
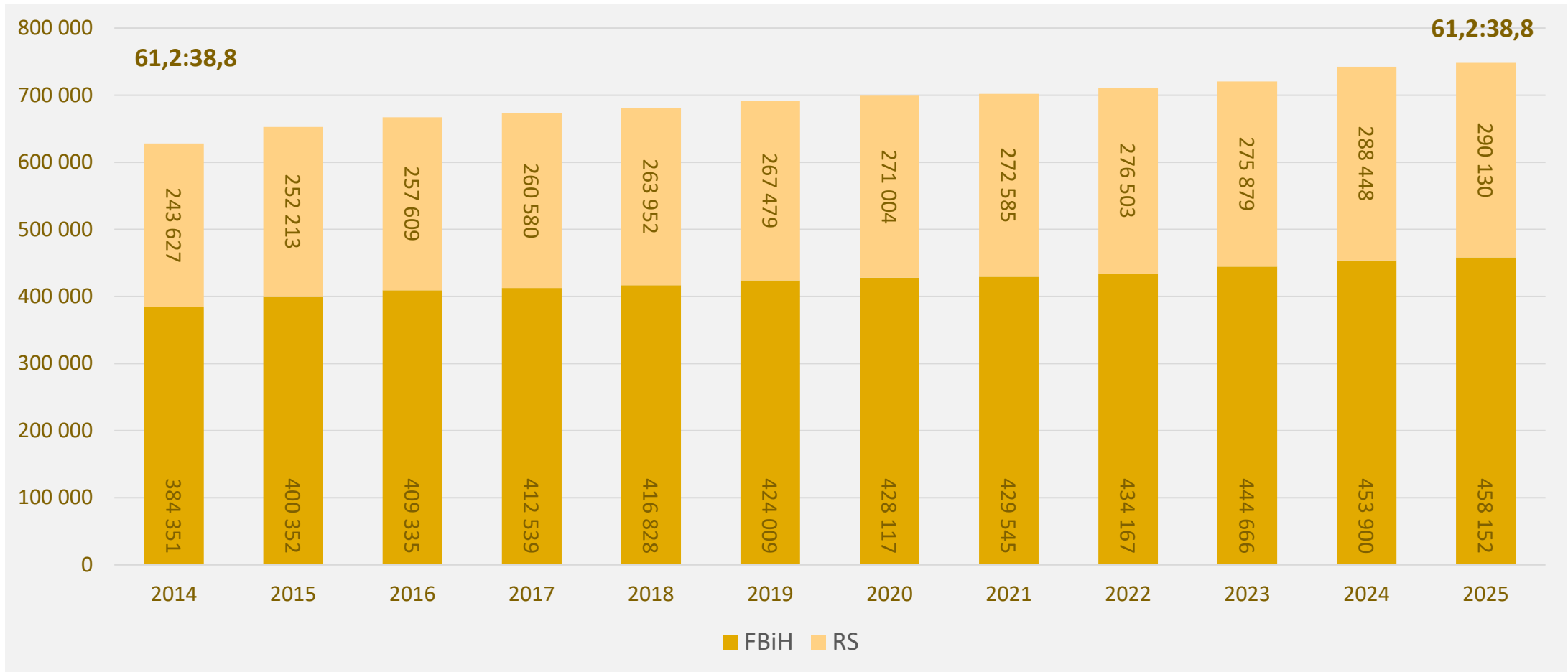
Stable share of both entities; 61,2% in FBiH vs 38,8% in RS

Support ratio is low and slightly decreasing
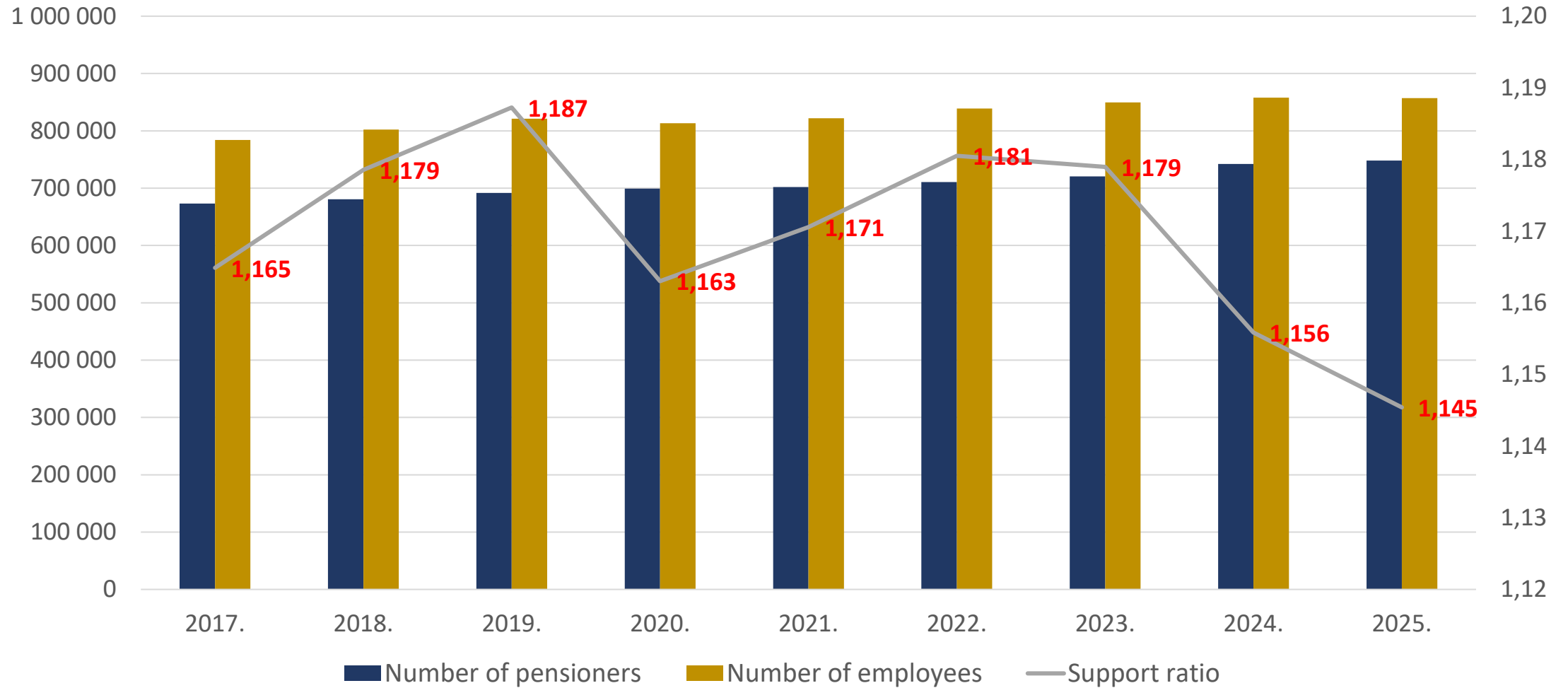
Key labor market data

	Working-age population	Labour force	Employed persons	Unemployed persons	Inactive persons
Man	1.138	843	757	86	295
Woman	1.119	551	459	92	568
Total	2.257	1.394	1.216	178	863

Source: BiH Statistical Agency

	Activity rate	Employment rate	Unemployment rate
Man	74,08%	66,52%	10,20%
Woman	49,24%	41,02%	16,70%
Total	61,76%	53,88%	12,77%

Source: BiH Statistical Agency

Unempoyment rate in FBiH - administrative data
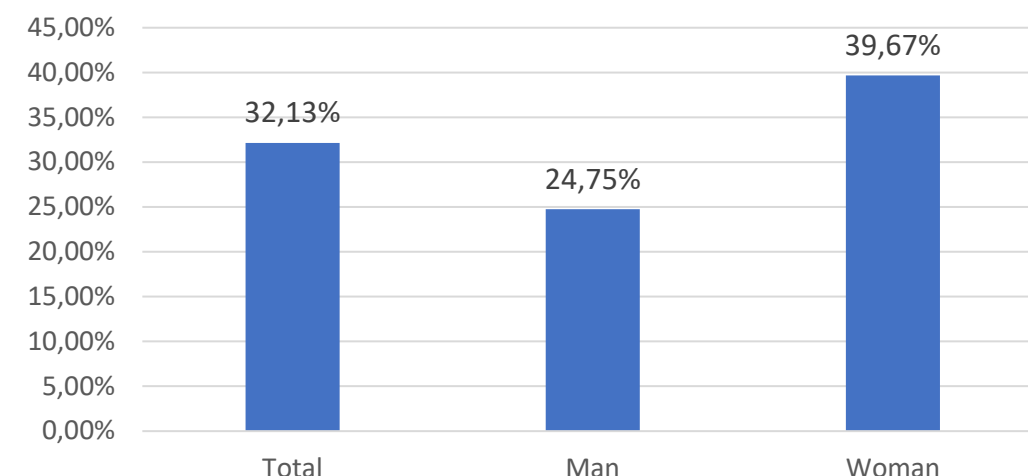
Informal employment issue (in thousands; 2024)
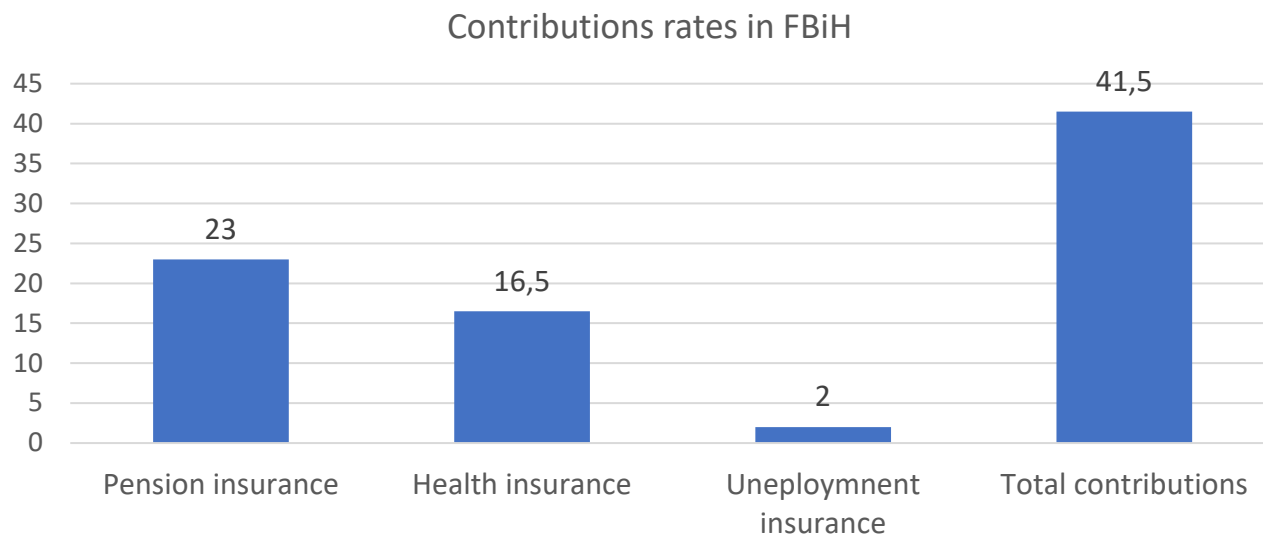
	Official employment	LFS data	Difference	Percentage
Man	467	770	303	64,88%
Woman	389	465	76	19,54%
Total	856	1.235	379	44,28%

Significant informal employment

Contributions rates in FBiH

Category	Value
Pension insurance	23
Health insurance	16,5
Uneploymnent insurance	2
Total contributions	41,5

Partly, due to high social contribution rates

Total expenditures on pensions: % of GDP
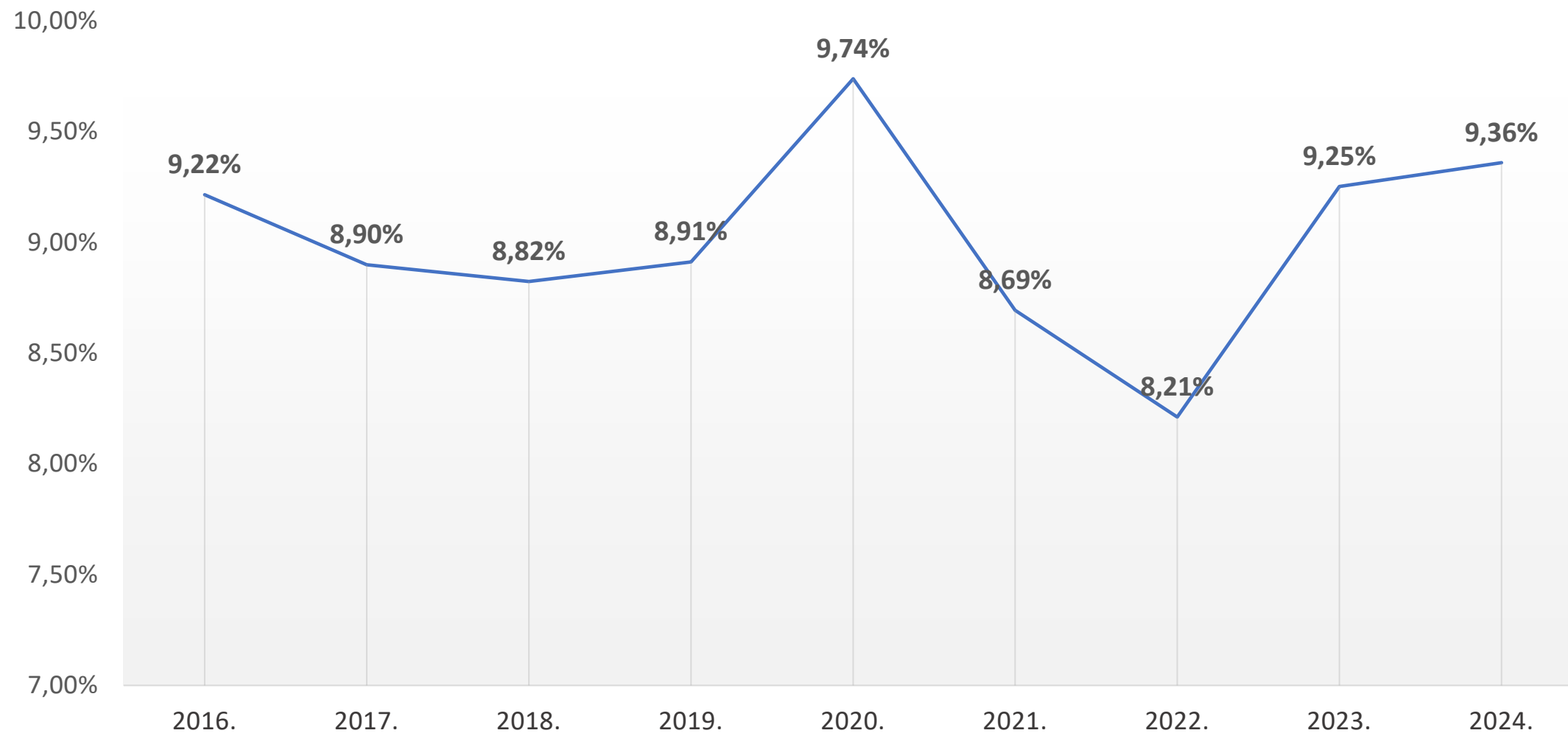
Overview of key indicators – 2024. – in EUR

Indicator	FBiH	RS
Average net salary	730	718
Average pension	319	304
Net replacement ratio	43,63%	42,31%
Contribution rate	23,00%	18,50%
Pensions as percentage of GDP	10,18%	9,21%

Retirement age in two entities

- Retirement age is **65 years** (both for males and females), with **at least 15 years** of pensionable service

- The **effective retirement age** in both entities in BiH is significantly below the pensionable age of 65.
  - At the end of 2023, in RS the average effective retirement age in at which the old-age pension is claimed **was 61,1 for old age pensions and 51,8 for disability pensions.**

- In FBiH **13.2 percent** of total pensioners are disabled. Similar share is recorded **in RS (12.5 percent).**
  - This is almost 50 percent higher than the EU average

Privileged benefits

- **Privileged benefits for war veterans**
  - FBiH entity provides around 45,000 privileged and special pensions to war veterans and the military

- **Contributor coverage** is only 32.5% in FBiH and 53% in RS

- **Early old-age retirement penalties** in FBiH amount to 0.33% per month (approximately 4% per year).
  - The effectiveness of this provision is questionable, because the guaranteed minimum pension is set rather high compared to the average wage

Recent developments

- Major increase in minimum salary
  - RS in 2024
  - FBiH in 2025

- Pensioners are officially allowed to get employed

A big increase in the minimum wage

	2021.	2022.	2023.	2024.	2025.	Cumulative growth
Minimal sallary	208	277	304	316	511	145,70%
Growth	-	33,42%	9,76%	3,86%	61,55%	

Changes in contribution rates

	Pension insurance	Health insurance	Uneploymnent insurance	Total contributions
Old rates	23	16,5	2	41,5
New - 2025	19,5	14,5	2	36