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USING ECONOMETRICS TO UNDERSTAND INCLUSION OF PERSONS WITH DISABILITIES IN THE WORKFORCE OF BOSNIA AND HERZEGOVINA*

Ensar Sehic**, Elma Satrovic***, Seid Fijuljanin****

ABSTRACT

Persons with disabilities have relevant working capacity. Employers who recruit those persons assume that their disabilities do not decrease organization's productivity. Persons with disabilities can normally fit into working environment. The studies of employers' attitude towards persons with disabilities are rare and of limited scope in Bosnia and Herzegovina (BiH). The aim of this multidisciplinary research is twofold: to investigate factors that may influence employment of persons with disabilities, and to examine employers' perceptions of persons with disabilities in terms of potential employment. The research team uses a sample of 101 employers from BiH and performs the logit model maximum likelihood estimation. The results show that the size of organization, in terms of the number of employees, primarily influences the likelihood of employment of persons with disabilities. There is an inverse relationship between employment opportunities and the organization size. One possible explanation for this relationship is that large companies already recruit persons with disabilities and therefore have no additional opportunities. Other coefficients in the estimated model are not statistically significant. The research also shows that employers in BiH have a positive attitude towards persons with disabilities, but they face issues that can be resolved by government incentives.

Keywords: employment policy, log-likelihood function, logit model, persons with disabilities

JEL: C21, J23, J24, I12, I18

1. INTRODUCTION

More than one billion people or about 15% of the world's population live with some form of disability (World Report on Disability 2011, p. 29). Lutz and Scherbov (2000, p. 221) point out that the proportion of persons with disabilities in the total population of Europe is also 15%. The same authors estimate that the number of persons with disabilities will continue to increase in the future. The question of employment of such persons is hence quite relevant.

Disabled persons expect their full inclusion in the workforce (Inclusion of persons with disabilities through encouragement employers 2013, p. 5). Employers want to demonstrate their social responsibility persons with through recruitment of disabilities (Disability in the Workplace: Employers' Organizations and Business Networks 2011, p. 37). Government is an important agent in resolving employment problems of persons with disabilities. Bosnia and Herzegovina (BiH) attempts to create a legal framework in order to fulfill its obligations from the ratified international conventions (Ibid). The consequences of insufficient government support are: high corporate taxes. which reduce competitiveness of BiH firms; inadequate legal framework, which does not promote the inclusion of disabled persons into the workforce; and constant dissatisfaction of individuals with disabilities.

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At global, regional and national levels various measures are taken in terms of professional rehabilitation, training and employment of persons with disabilities. Although there are significant differences among these measures, they have a common goal – to promote anti-discrimination and employment of persons with disabilities.

Americans with Disability Act of 1990 is based on the Model on the Rights of Persons with Disabilities (Inclusion of persons with through encouragement disabilities of employers 2013, p. 8). This law prohibits discrimination and promotes social integration of disabled persons. The Model is the foundation of the disabled person's training system (Ibid). Moreover, the United Nations General Assembly introduces The Standard Rules on the Equalization of Opportunities for Persons with Disabilities in December 1990 (Ibid). These Rules are based on the Americans with Disability Act. After the amendment to The Standard Rules, United Nations Convention Against All Forms of Discrimination Against Disabled Persons emerges. The Convention was adopted in December 2006. After all the European Union (EU) member states signed the Convention, it took full effect in 2008 (Ibid).

Article 27 of the Convention states that "States Parties recognize the right of persons with disabilities to work, on an equal basis with others". This article refers to the right to an opportunity to gain a living by work freely chosen or accepted in a labor market. The article assumes open work environment that is inclusive and accessible to persons with disabilities. Since 2009, the UN Convention on the Rights of Persons with Disabilities has also required BiH to harmonize framework with the standards described in the Convention (Ibid). BiH has to respect the provisions concerning the right employment, accessibility, health, education, training, rehabilitation, independent living, and inclusion in the community by providing accommodation without discrimination to persons with disabilities. By ratifying this Convention, BiH recognizes disabled persons as persons with long-term physical, mental, intellectual, or sensory impairments that may influence their full participation in society (Ibid).

There difficulties are many in the implementation of the UN Convention (Ibid). The International Labor Organization (ILO) data shows that about 426 million persons with disabilities in the world live in extreme poverty (Overcoming invisibility: Making the MDGs inclusive of and accessible for persons with disabilities 2010, p. 1). The key issues that persons with disabilities face include low paid jobs, discrimination, misjudgment of qualifications, transportation constraints and poor incentives (Ibid).

2. LITERATURE REVIEW

Despite increased laws designed to address employment discrimination and provide for workplace accommodations for qualified workers with disabilities, the employment rate of persons with disabilities has increased very little since the late 1980s in the world. A series of studies have been conducted by the National Organization on Disability (NOD) in the USA. Unger (2002) reports an actual increase in the unemployment rate from 66% in 1986 to 71% in 1998 in the USA.

Blanck (1998); King (1993) and Smith (1992) indicate that employers play a critical role in addressing the high unemployment rate of persons with disabilities. These authors have also identified employer attitudes toward persons with disabilities as an important factor in the staggering unemployment rate of persons with disabilities.

attitudes employers' Although toward individuals with disabilities have been studied extensively, the existing literature provides conflicting conclusions. For example Blanck (1998); King (1993) and Smith (1992) have identified some factors as positive attributes by some employers (e.g., attendance, safety, productivity). However, these attributes have been identified as negative in other studies (Nietupskiet al. 1996). **Because** inconsistency in methodology it is difficult to compare and derive conclusions based on the results of previous researches. A plausible explanation for these mixed results is that employers were not categorized

characteristics that might influence their perceptions of persons with disabilities in the workforce. Since similar studies were not conducted for BiH, this paper aims to fill this gap.

3. EMPLOYMENT POLICY BACKGROUND

General employment policy includes analysis of issues concerning disabled persons' employment. Governments need to encourage employers to recruit persons with disabilities in order to increase workforce inclusion of persons with disabilities. Governments can provide support in several ways. First, governments can impose job application and selection process that assures availability of employment opportunities for persons with disabilities. Second, governments should promote special adjustments of workplaces and working conditions. Such adjustments telecommunication include appropriate devices, flexible working schedule, and remote working possibilities. Third, adequate job training for persons with disabilities is also necessary. Fourth, government can promote for persons with disabilities self-employment options and remote working possibilities.

3.1 Disabled persons employment policy in the world

There are two types of employment policies concerning persons with disabilities: (1) compensation model and (2) rehabilitation model (Inclusion of persons with disabilities through encouragement of employers 2013, p. 10). The compensation model is dominant in the continental Europe. This model represents the doctrine of segregation. It provides assistance and care for persons with disabilities in segregated environments, such as isolated schools, institutions and homes. The compensation model also maintains this segregated approach in the labor markets special employment category requested in terms of jobs in targeted institutions and jobs created purposely for persons disabilities.

However, this model does not resolve the problem of actual employment of disabled persons. The problem is just temporarily concealed by government aid programs and compensation through social services. The compensation model is difficult to monitor and to measure (Ibid).

The other approach to employment policy concerning persons with disabilities is the rehabilitation model. This model supplements and partly complements the compensation model. The rehabilitation model encourages equal opportunities for persons with disabilities and calls for dual adjustment. This approach argues that persons with disabilities need to adjust to labor market needs and conditions, and that employers need to pay attention to requirements of persons with disabilities (Ibid).

European countries tend to implement employment policies that are tailored for persons with disabilities (i.e. employment protection in low-paid jobs and quota employment through affirmative action). Belgium Italy opt for sheltered and employment. Slovakia, the Czech Republic, Austria, and Germany do not provide protectionism in this area of labor market regulation. (The Labour Market Situation of People with Disabilities in EU25 2008, p. 10). Moreover, self-employment can also assist in inclusion of persons with disabilities in workforce. The largest employment rate for persons with disabilities (i.e. the ratio of the number of persons with disabilities employed and the total number of persons with disabilities) in the EU is 62% in Sweden while the lowest rate is 2.9% in Romania (Inclusion with disabilities persons encouragement of employers 2013, p. 12).

3.2 Employment policies concerning disabled persons in BiH

The BiH legal framework for regulation of employment for persons with disabilities is guided heavily by international conventions. In fact, this issue is governed by regulations that are adopted and applied at the entity level (both the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS)) and Brčko District (BD). Moreover, standards determined by ILO conventions also steer regulation of employment of persons with disabilities in BiH.

The law regarding Vocational Rehabilitation (Disabled Employment Persons) recognizes two forms of employment: 1) employment under general conditions, and 2) employment under special conditions. General conditions assume employment in the open labor market. These conditions include employers in both public and private sectors. Special conditions assume employment in institutions, enterprises, organizations with special work place and environment or selfemployment of persons with disabilities. The existing provisions are confusing and do not provide a precise definition of employment under general or special conditions (Inclusion persons with disabilities through encouragement of employers 2013, p. 16).

The employment policy regarding persons with disabilities in BiH promotes recruitment of disabled persons. The law regarding Vocational Rehabilitation and Employment (Disabled Persons) requires that each organization in BiH with 16 or more employees recruits at least 1 person with disability. Still, there has been no evidence that the BiH employers fulfill the recruitment requirement. This research examines behavior of the employers in this matter.

4. RESEARCH METHODOLOGY

The studies that deal with the issue of employment of persons with disabilities in BiH are rare. Little is known about the actual commitment of employers in BiH to employ persons with disabilities. This multidisciplinary research aims to provide scientific contribution concerning the issue of employment by using a sample of 101 corporate members of the BiH Employers Association. There were two selection criteria: 1) to cover corporate members from all cantons in FBiH, big municipalities in RS and BD and 2) to cover corporate members that belong to sectors of importance for BiH. The selected corporate members employ 24.43% of the total number of employees in industry (real sector) in 2012.

The paper looks at the BiH employers' perceptions of the relationship between work productivity and inclusion of persons with disabilities. The paper also examines employers' expectations regarding government incentives that would motivate them to employ persons with disabilities in BiH. This multidisciplinary research is based on econometric analysis of factors that may affect inclusion of persons with disabilities in the workforce of BiH. The paper estimates a logit model with several independent variables. The model is of the following form:

$$P[Y_{j} = 1 | X_{1j}, ..., X_{kj}] = \frac{1}{1 + \exp(-\beta_{1}^{0} \cdot X_{1,j} - ... - \beta_{k}^{0} \cdot X_{kj})}$$

$$= \frac{1}{1 + \exp(-\sum_{i=1}^{k} \beta_{i}^{0} \cdot X_{ij})}.$$
(1)

In the model (1), β_i^0 represents the real values of the parameters (Wooldridge 2008, pp.457-460). The authors depend on maximum likelihood estimation of the logit model. The log-likelihood function then has the following form:

$$\ln(L_n(\beta_1,...,\beta_k))$$

= $-\sum_{j=1}^n (1-Y_j) \cdot \sum_{i=1}^k \beta_i X_{ij} - \sum_{j=1}^n \ln\left(1 + \exp\left(-\sum_{i=1}^k \beta_i X_{ij}\right)\right)$. (2)

Maximum likelihood estimators $\hat{\beta}_1, \dots, \hat{\beta}_k$ are calculated by maximizing $\ln(L_n(\beta_1,...,\beta_k))$. The next equation shows this step.

$$\ln\left(L_n(\hat{\beta}_1, \dots, \hat{\beta}_k)\right) = \max_{\beta_1, \dots, \beta_k} \ln\left(L_n(\beta_1, \dots, \beta_k)\right). \tag{3}$$

For a large sample of size n, where i = 1, ..., k, the following is true:

$$\sqrt{n} \cdot (\hat{\beta}_i - \beta_i^0) \sim N[0, \sigma_i^2]. \tag{4}$$

If the consistent corresponding estimators $\hat{\sigma}_i^2$ with variances σ_i^2 are taken into account, then for i = 1, ..., k it must be true that:

$$\frac{\sqrt{n} \cdot \left(\hat{\beta}_i - \beta_i^0\right)}{\hat{\sigma}_i} \sim N[0,1]. \tag{5}$$

The authors provide estimates of the maximum likelihood coefficients and their standard errors $\hat{\sigma}_i$ are represented by the results of (Table 1).

5. RESEARCH RESULTS AND DISCUSSION

The objective of this paper is two-fold: 1) to identify attitudes of employers towards employment of persons with disabilities, and 2) to identify measures that could encourage recruitment process of persons with disabilities. The survey consists of 19 questions (Appendix 1). The most relevant questions are included in the logit model. The survey has several identification questions that classify employers in the sample. For example, these questions ask

whether the employer must satisfy a certain threshold of persons with disabilities employed in his/her company, and whether the employer has employed persons with disabilities in the past. Next, the survey includes a series of questions related to employer's consideration of employment opportunities for persons with disabilities and employer's understanding of incentives aimed to encourage employment of persons with disabilities.

The following logit model is estimated in the paper:

$$\hat{Y} = \hat{\beta}_1 + \hat{\beta}_2 \cdot X_2 + \hat{\beta}_3 \cdot X_3 + \hat{\beta}_4 \cdot X_4 + \hat{\beta}_5 \cdot X_5 + \hat{\beta}_6 \cdot X_6 + \hat{\beta}_7 \cdot X_7$$
(6)

The following series of questions is used as a set of variables in the model. In order to explain the variables, research results are presented.

Y: Question6- Is your workplace suitable for recruitment of persons with disabilities?

The answers to this question demonstrate that about half of the employers in the sample have opportunities to recruit persons with disabilities while others do not think that there are opportunities in their corporate environment for persons with disabilities. Since the sample only represents employers in BiH with more than 15 employees, the authors conclude that about 50% of the BiH

employers who are required by law to recruit persons with disabilities actually do not employ these individuals.

X₂: Question1– How many people does your organization employ?

The results indicate that 34.6% of the BiH employers recruit between 35 and 100 employees while 23.8% of the BiH employers recruit between 15 and 35 employees. Most of the BiH companies employ up to 100 employees. These companies are considered by law in BiH to be medium size companies.

X₃: Question3– Are you required by the BiH law to recruit persons with disabilities based on quota employment?

This question evaluates whether employers in BiH are required to employ persons with disabilities based on a quota employment rule determined by a particular number of persons with disabilities that need to be employed by each employer. The paper shows that 64.3% of the employers are subject to some quota employment rule while the rest are not. Since the sample only represents the employers in BiH with more than 15 employees, all companies in the sample are by default required by the BiH

law to recruit persons with disabilities. However, around 35% of the BiH companies in the sample obviously do not know that. This result shows that although there are laws and regulations concerning employment of persons with disabilities, getting more persons with disabilities actually employed is quite difficult.

 X_4 : Question4- Has your organization employed persons with disabilities in the past?

The paper finds that 71.3% of the employers in the sample have employed persons with disabilities in the past while the rest of the employers have never recruited persons with disabilities. The paper also finds that all the firms with more than 100 employees have hired persons with disabilities in the past.

X₅: Question 8– What is your personal view on employment of persons with disabilities? The paper finds that 93% of the employers in the sample have a positive attitude towards employment of persons with disabilities. It certainly makes sense for employers with positive outlook to cooperate with the government sector in order to resolve the existing issues concerning employment of persons with disabilities.

X₆: Question13- Do you think that the current law regulating employment of persons with disabilities encourages employers to recruit persons with disabilities?

More than 50% of the employers believe that the BiH law provides benefits that could promote employment of persons with disabilities. Still, more than 30% believe that these benefits are not sufficient to encourage employment of persons with disabilities. Perhaps this outlook precludes better inclusion of persons with disabilities in the workforce of BiH.

X₇: Question 17– Does the BH government policy through legal framework foster employment of persons with disabilities?

More than 60% of the employers in the sample believe that government policies do not encourage employment of persons with disabilities. These employers think that the BiH government (at all levels) needs to change its policies in order to give better support to employers in recruitment of persons with disabilities.

The following table provides the results of econometric analysis.

The estimated coefficient value for the first question is negative and significant at 10% (-0.451). This value implies that organization's increase in terms of hiring new employees negatively influences persons with disabilities employment opportunities. The conclusion based on these results states there is an inverse relationship between employment opportunities of persons with disabilities and the size of organization. A possible explanation of this conclusion could be that large companies already recruit persons with

disabilities and therefore have no opportunities of additional recruitment. The coefficients for other questions are statistically insignificant.

The answers to questions 3, 4, 8, 13 and 17 do not clearly indicate their influences on employment opportunities of persons with disabilities. It can be concluded that the size of organization, in terms of number of employees, primarily influences the employment opportunities of persons with disabilities. The obtained results are in accordance with Unger (2002). However, there are differences comparing to Blanck (1998); King (1993) and Smith (1992). After the presentation of logit model results, it is considered important to present the answers of some other questions in order to prove the multidisciplinary issue of the research. The questions that are analyzed are related to the number of persons with disabilities that could be recruited by employers as well as employers' perceptions of persons with disabilities.

Question7-If your organization has a possibility to employ persons with disabilities, indicate the number of them you would be able to recruit.

The answers to this question show that, according to employers' estimations 80% of the employers would be able to recruit between 1 and 3 persons with disabilities, while only 8% of them would be able to recruit about ten or more persons with disabilities. These percentages are related to the employers who have answered this question (40 employers). However, it is important to mention that 61 employers did not answer this question. It can be concluded that 61 employers are not able to recruit persons with disabilities.

Table 5.1. Estimated coefficients

Question	Coefficient	Stand. error	P> z
Question 1	-0.451	0.238	0.058
Question 3	-0.197	0.549	0.720
Question 4	0.991	0.707	0.161
Question 8	-0.814	0.621	0.190
Question 13	-0.563	0.451	0.212
Question 17	0.082	0.920	0.929

Source: Author's calculation

Question11– Can you make a distinction between persons with disabilities and persons with damage?

According to the answers it can be concluded that just about 30% of the employers were not able to distinguish persons with disabilities from persons with damages. However, about 50% of the employers make a distinction in the case of mental damages (74 out of 105 employers were able to recognize persons with disabilities).

The last part of the research evaluated employers' attitudes towards the obligatory employment of persons with disabilities. The results which were considered most important are presented here. The first question was whether anti-discriminative regulations could improve the labor market position of persons with disabilities. The results indicate that 48.5% of the employers agreed, 44.5% partially agreed while 7% of the employers did not have any attitude. So it can be concluded that anti-discriminative regulations could improve the employment of persons with disabilities.

Contrary to anti-discriminative regulations, employers think that the employment of persons with disabilities based on quota system could only have negative effects. More than 80% of the employers state that quota system could be efficient only in combination with financial benefits and training of professional staff, which could help employers in the recruitment process for persons with disabilities. The employers have also stated that those who do not comply with obligations should be punished.

The results indicate that 75% of the employers agree or partially agree that obligatory employment of persons with disabilities is an additional tax and could restrict the employees selection process. In addition, 80% of the employers agree or partially agree that the obligatory employment of persons with disabilities based on quota system should be addressed to government administration bodies, judicial authorities and other government bodies, departments and public companies.

6. CONCLUSION

More than 50% of the employers have already recruited persons with disabilities. This recruitment was mostly based on employer's own initiatives or caused by obligatory employment of persons with altered working capacity. The employers stated that work environments are mostly unable to adapt to persons with disabilities, which is considered a serious problem.

One of the most important conclusions of this paper is a positive attitude of the employers towards the recruitment of persons with disabilities (93 employers expressed their desire to recruit persons with disabilities). The most important selection criteria would be: their qualifications, skills and ability to work. It is important to emphasize that 40 employers have mentioned that benefits and supports could promote the employment of with disabilities. Almost persons employers agreed that government has to improve its efforts in order to resolve this problem.

In addition, 53 employers pointed out that benefits defined by laws are stimulating for the employment of persons with disabilities. However, the big problem is low implementation of these benefits as well as government's intentions to shift their responsibility to employers.

The most important measures that government could implement in order to encourage employers to recruit persons with disabilities are: the compensation of costs related to workplace adaptation, equipment and other expenses, compensations of salaries in order to resolve the problem of lower productivity. tax and custom exemptions, the compensation of salaries during professional rehabilitation and job training, as well as self-employment stimulations of persons with disabilities. The estimated logit model shows that the size of organization, in terms of number of employees, influences employment primarily opportunities for persons with disabilities. There is an inverse relationship between the employment opportunities of persons with disabilities and the size of organization. It can

be concluded that persons with disabilities should be recruited not only by big companies but also by small and medium enterprises (SMEs). World experiences show that employment of persons with disabilities in SMEs could improve their social inclusion but only with the adequate government support (SMEs attitudes to employing people who have a mental illness, 2012).

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APPENDIX 1. THE SURVEY ON EMPLOYERS' ATTITUDES TOWARD PERSONS WITH DISABILITIES RECRUITMENT

This survey is anonymous and is used for research purposes in order to identify employers' attitudes toward persons with disabilities recruitment in the open market and to identify the measures that could encourage employers to support the process. The questions are answered by choosing one of the answers, unless additional instructions indicate otherwise. It is very important to answer each question for the completeness of research.

Thank you for cooperation.

	J 1						
Survey - Employers identification							
Q1	How many employees are employed in [Organization witl	h more than 15	employees			
	your organization?	Organization with 16-35 employees					
		Organization with less than 100 employees					
		Organization with less than 500 employees					
		Organization with more than 500 employees					
Q2	Which is your predominant industry?						
Q3	Do you have obligation to recruit						
	persons with disabilities based on quota	☐ Yes					
	employment?	□ No					
Q4	Has your organization already [☐ Yes					
	employed persons with disabilities?	□ No					
Q5	How did you employ persons with	☐Employer's own initiatives					
	disabilities?	☐Through employment services					
		☐Through institutions for disabled persons employment					
		As an obligation d	ue to altered wo	rking capacity			
	Employers and the recruitment of persons with disabilities						
Q6	Are your workplaces suitable for persons	☐ Yes					
	with disabilities recruitment?	□ No					
Q7	If your organization has a possibility to						
	employ persons with disabilities, indicate	Approximate nur	nber:				
	the number of them you would recruit.						
Q8	What is your opinion about employment of	of Positive					
	persons with disabilities?	☐ Negative					
		☐ No opinion					
Q9	What affects or could affect your decision	☐ Work capacity of persons with disabilities					
	to hire persons with disabilities?		☐ Necessity of special working aids				
		☐Qualifications, knowledge and skills					
		Opinions of workers without disabilities					
		Degree of protection at work					
		Benefits and supports					
		Legal obligations					
Q10	According to your opinion, who is a person	Person having a physical, sensory or mental impairment					
	with disability?	(congenital or due to injury or illness)					
		Disabled worker					
		Military and civil victim of war					
		☐ Individual with significantly reduced possibilities of ensuring					
		and retaining suitable employment due to recognized physical or					
011		mental impairment					
Q11	Can you make a distinction between persons						
	with disabilities and persons with damage?						
012	State the level of agreement with the	□ No					
Q12	State the level of agreement with the	Completely	Partially	No 0444	Not agree at		
	following attitudes.	agree	agree	No attitude	all		
012.1	(choose one answer)	-	-				
Q12.1	The improvement of labor market position						
	of persons with disabilities depends on the						
	legislation that prevents persons-with-						
i	disabilities discrimination.	i i	i .	1	1		