

1. Immigration and diversity in the EU in perspective

Large-scale immigration from culturally diverse countries of origin, even when successful in economic terms, may affect a society's social capital and the host population's sense of cultural and national identity along with their attitudes to immigrants and immigration policy. The process of adopting new collective identities that incorporate diversity and multiculturalism may prove challenging – particularly when large-scale immigration occurs in the absence of a well-defined policy on immigration and integration, as it did in much of Western Europe during the 1960s, 1970s, and 1980s.

In this chapter, we recall the far-reaching changes in emigration and immigration in Western Europe during the last half century. Thus, we provide a historical perspective on the challenges that European societies now face as they address ethnic and cultural diversity and develop col-

lective identities fit for the 21st century. We highlight the diminishing importance of Western European diasporas, mainly in the U.S., and the emergence of new migration corridors, both within Europe and into Western Europe from other continents (section 1.1). We also highlight the heterogeneity of immigration motives among immigrants in Western Europe, including work, study, family unification, and protection from persecution (section 1.2).

Lastly, we take a close look at one immigrant community – Bosnians who fled from the war at home during the early 1990s and received protection in Western Europe. Their contrasting experiences with labor market integration in several EU countries and return to Bosnia after the war (voluntary or enforced) serve as points of reference for many current debates in the field of asylum-related policies.

1.1 Immigration and emigration in Western Europe since 1960

Lead author: David Benček

EU member states have had diverse experiences with migration over the course of the last century. Some, including France and the U.K., have seen immigration early on because of their colonial histories; others have pursued strategies of isolation or employed immigration only intermittently as a labor market policy instrument (Germany comes to mind); yet others have always been ethnically diverse because of their geographical location (Austria). However, in the face of growing migration in Europe and across the globe, even countries previously unaccustomed to large immigration (e.g. Spain) have recently experienced rising inflows of foreigners and will therefore need comprehensive policies to address the resulting challenges. In order to assess the current prevalence of emigration and immigration in the EU and put it into historical perspective, this section provides a statistical overview of past and present patterns of migration.

An empirical analysis of migration starts out with the challenge of identifying adequate data. As migration statistics are usually collected by individual destination

countries that do not necessarily apply the same classifications and definitions, inconsistencies arise between different sources of data. That is especially an issue when comparing statistics across countries and over time. One dataset that was created to overcome this lack of continuity and harmonization is the World Bank's Global Bilateral Migration Database (Özden et al. 2011). In its current version, it consists of decennial matrices from 1960 to 2010 plus data for 2013. In addition to harmonizing a large number of population records, this dataset is also nearly unique in offering bilateral data between pairs of origin and destination countries worldwide. This allows for the kind of disaggregated analyses and close-up examinations of migration patterns that are necessary to assess the EU's prominence in an age of global migration.

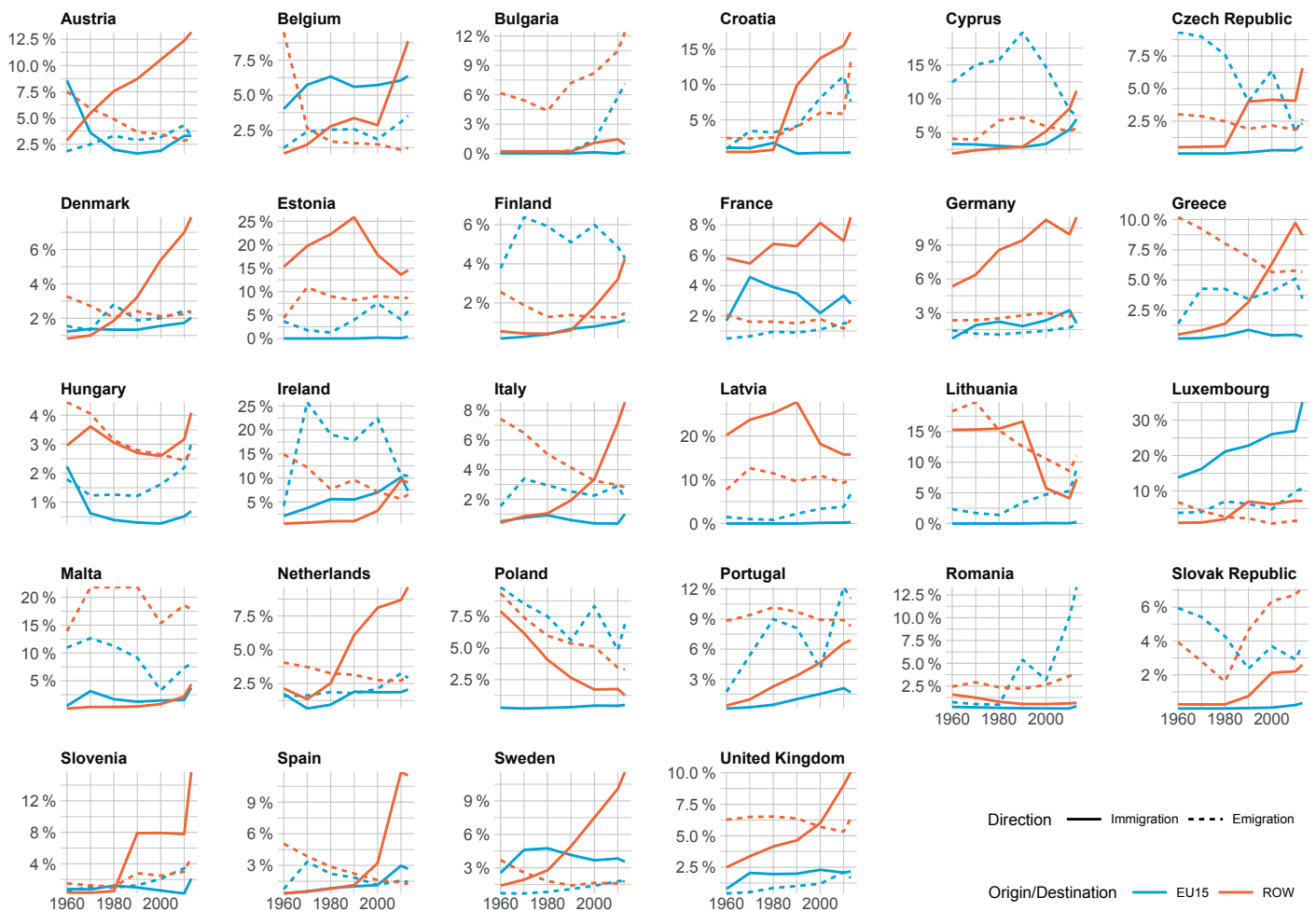
According to World Bank data, by 2013 the global stock of migrants had increased by a factor of more than 2.6 since 1960 and amounted to about 247 million people. While large parts of this increase must be attributed to intraregional migration, especially between devel-

opening countries, Western Europe experienced a similar rise in immigrant numbers: the total migrant stock of EU-15 countries increased from 28 million in 1960 to 62 million in 2013 (for EU-28 countries, from 37 million to 70 million). In addition, the bilateral migration links of EU-15 countries with the rest of the world have grown more diverse in the past 60 years.

These highly aggregated figures illustrate the central role that Western Europe has acquired in global migration networks. In the process, numerous EU member states have turned from net emigration countries into net immigration countries (Figure 1.1). For instance,

Belgium registered a high and further growing share of immigrants early on during the 1960s, especially from the EU-15. At the same time, due to decolonization, Belgium saw a sharp drop in the number of emigrants relative to its resident population. Other countries, such as Denmark, the Netherlands, Spain or the United Kingdom, have similarly become net immigration countries, with immigrants mainly from outside the EU-15. Following their accession to the EU during the early 2000s, most new member states in Central and Eastern Europe have experienced a steady increase in the number of emigrants departing for the EU-15.

Figure 1.1 Immigration and emigration stocks in EU member states 1960–2013
percentage of population by country and origin/destination



Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

Overall, the prevalence of migration within Europe is higher than ever and this trend is accompanied by increasing numbers of immigrants from the rest of the world. Due to its bilateral (country-pair) nature, the World Bank data allow for a more detailed look at the distinct migration corridors that have developed during the last half century. In order to focus on the most important corridors, we limit our analysis in two ways:

- **We look only at the migrant relationships of EU-15 countries:** The EU-15 are responsible for about 88 percent of the entire EU's migrant stock (emigrants and immigrants combined) and are therefore part of most major migration channels in the EU-28.
- **We limit the number of bilateral migrant stocks to ensure analytical tractability:** We include the largest bilateral migrant stocks that cover 50 percent of total migrants in each year. The distribution of bilateral migration stocks is rather skewed such that a small number of bilateral corridors account for a large proportion of the overall migrant stock (Figure 1.2). For example, the largest 1 percent of bilateral migrant stocks covers 63 percent of migrants to and from the EU-15 in 1960 and 38 percent in 2013. Thus, while migrant stocks are still heavily concentrated, the degree of concentration has declined over time.

The chord diagrams in Figure 1.3 depict the main migration corridors in which EU-15 countries are involved, as well as their evolution over the last half century. In 1960,

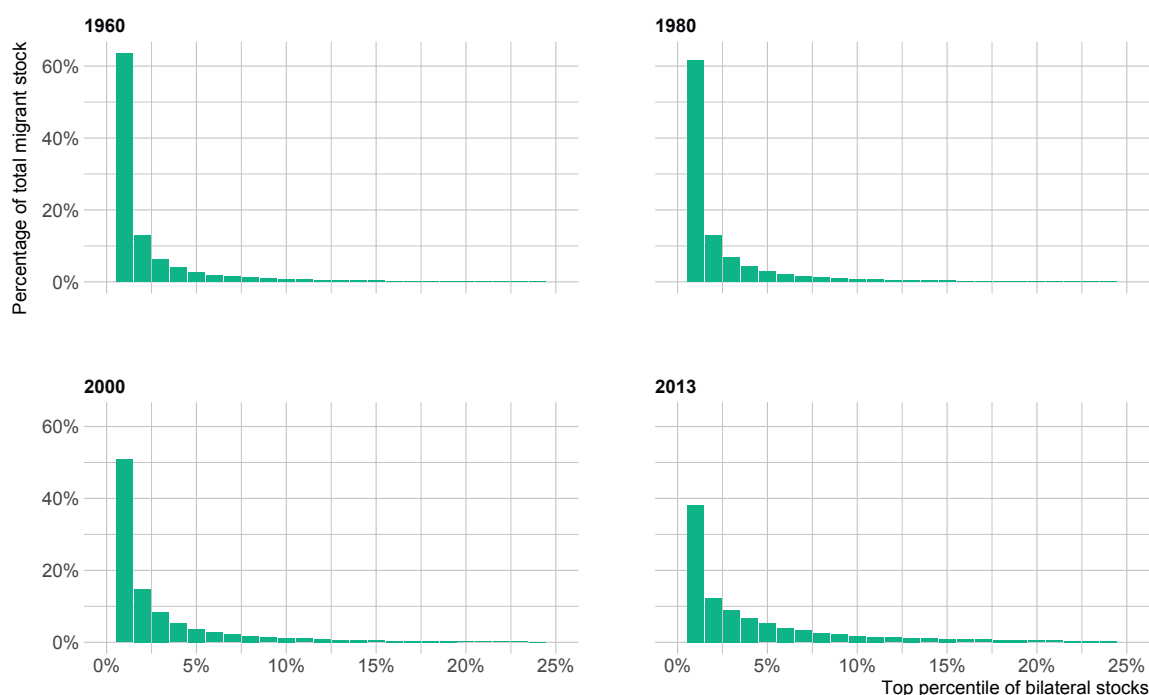
historic emigration to the 'New World' (North and South America, Australia) still showed up through high numbers of emigrants there from EU-15 countries (3.9 million in the U.S. alone). Within Europe, the consequences of population displacements in the aftermath of World War II and the beginnings of decolonization were apparent. While about 750,000 Belgians still lived in their soon-to-be former colony of the Congo, emigrants from Algeria had started to move to France. Among the German population, the largest foreign-born groups came from Poland and the Czech Republic – mostly, expellees of German origin.¹

By 1980, new migration corridors had been created through 'guest worker' programs in Europe, which had run until the mid-1970s, and subsequent immigration by family members. Prominently, there were 1.7 million Turkish immigrants in Germany. Smaller bilateral stocks reflected migrant communities from southern Europe (Portugal, Spain, and Italy) in northern Europe (Germany and France). Ireland experienced strong emigration from 1960 to 1980, particularly to the United Kingdom and the U.S.

In 2000, the effects of the Balkan wars became visible from significant numbers of Croatian and Bosnian migrants in Germany and Austria. The collapse of the isolationist regime in Albania led to the emergence of Albanian migrant communities in Italy, Greece, and Germany. By 2013, several additional large corridors had emerged. Spain became an important destination during a macro-economic and construction boom that lasted until 2008, with large immigrant communities from Morocco, South

¹ The inclusion of ethnic German expellees in this migration dataset demonstrates the challenges that Özden et al. (2011) faced when harmonizing many data sources over several decades amid shifting country borders as well as the dissolution and creation of entire states. Generally, the data refer to the countries as they exist today, even though their borders may have shifted substantially or they may not have existed before the Balkan wars or the dissolution of the Soviet Union. Irrespective of shifts in the political landscape, data from geographical regions are mapped onto today's countries to allow for comparisons over time and avoid the artificial creation of 'new' migrant stocks at political junctures.

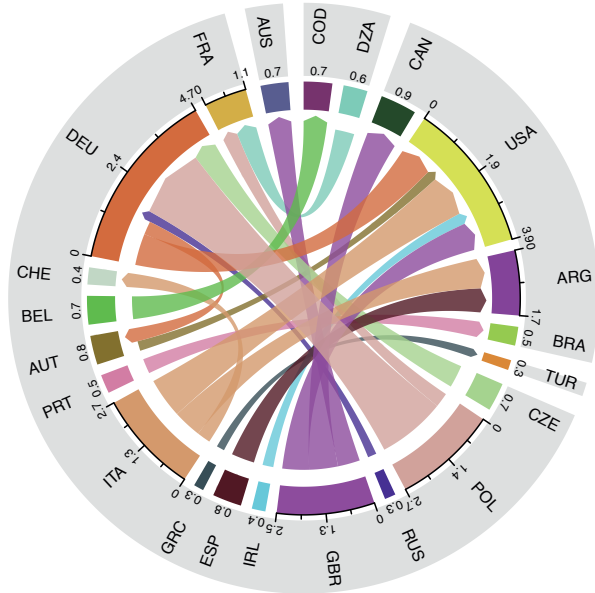
Figure 1.2 Distribution of bilateral migrant stocks for EU15 countries, by decreasing size and year



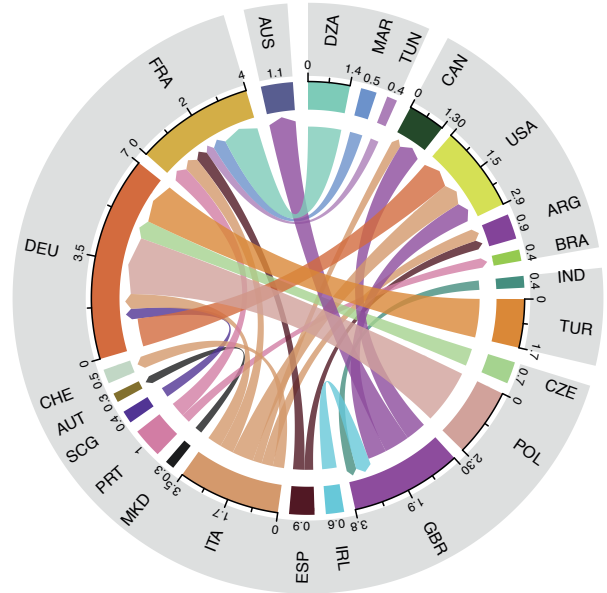
Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

Figure 1.3 Bilateral Migrant Stocks 1960–2013

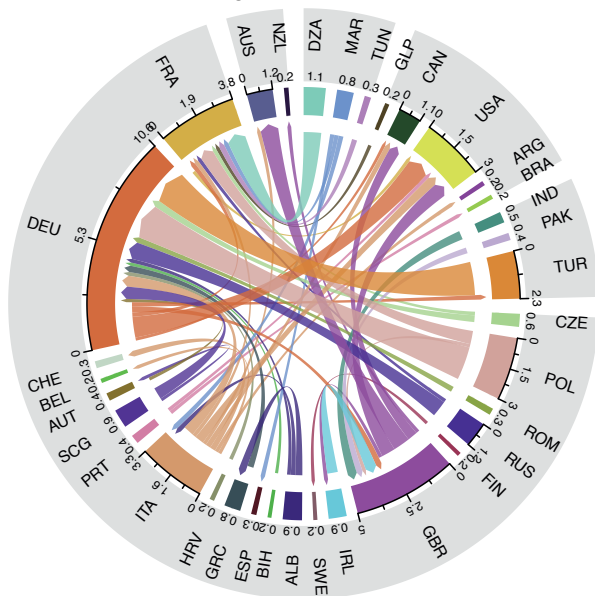
1960: 14 million migrants



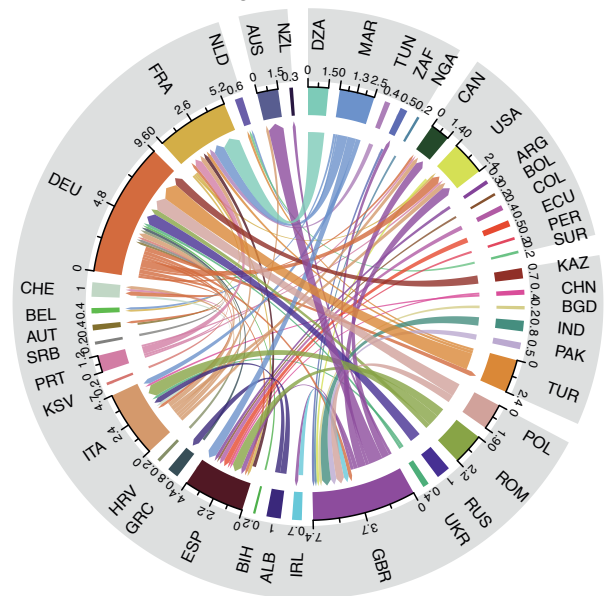
1980: 18.2 million migrants



2000: 22.6 million migrants



2013: 30.5 million migrants



Source: Own calculations based on data from the World Bank Global Bilateral Migration Database and World Bank Bilateral Migration Matrix 2010/2013.

America, and Romania. Historical legacies were behind the large number of mostly ethnic German immigrants from Kazakhstan and Russia.

Overall, the prevalence of immigration has increased substantially in Western Europe and immigrants come from increasingly diverse countries of origin. However, due to their different migration histories, EU member states are still experiencing the latest wave of immigra-

tion at different levels. While some member states have become major destinations for several countries of origin and more than 1 in 10 residents are immigrants, other member states, especially in Eastern Europe, remain only mildly affected. Such regional differences extend not only to the prevalence of immigration and emigration, but also to migrants' countries of origin.

1.2 Diversity of immigrants and immigration experiences

Lead authors: Mehtap Akgüç and David Benček

During the last half century, the number of immigrants in the old EU member states (the EU-15) has grown sharply. At the same time, immigrants have also become much more diverse not only in terms of their countries of origin (section 1.1), but also in other respects. While most immigrants face the same broad challenges – learning the local language, finding work commensurate with their skills, securing a good education for their children – how they manage them depends on their socioeconomic characteristics along with the sociological, political, and economic factors that brought them to their host country. In this section, we highlight the diversity of immigrants and immigration experiences in key dimensions as a background particularly for integration experiences and popular attitudes to immigrants and immigration in chapter 3.

Across the EU, there is a divide between the old member states (EU-15) with a high prevalence of immigration and the new member states (EU-13) where immigration

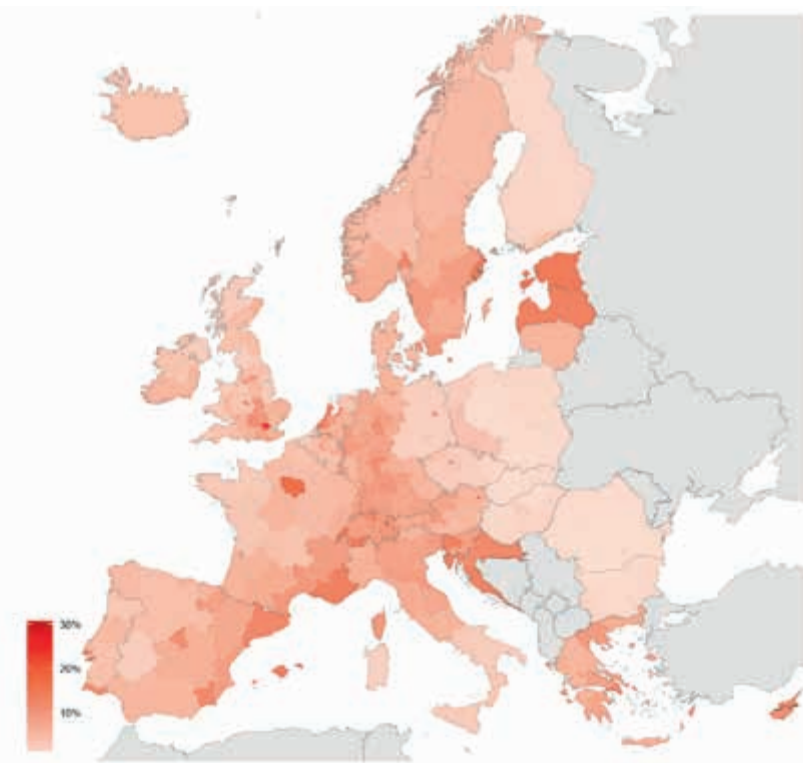
is mostly a recent phenomenon and still at a much lower level (see Figure 1.1 above). However, regional disparities in immigration prevalence exist not only across countries. Immigrants from outside the EU are also strongly concentrated even within countries at the level of NUTS 2 regions (Figure 1.4). Apart from the fact that there are pronounced differences across regions, the pattern of regional concentrations represents many factors, including historical legacies: East Germany (with almost no foreign-born residents) vs West Germany (with immigration from Turkey and former Yugoslavia since the 1960s); the Baltic States, with many individuals born in other former Soviet republics; and the South of France, with many returnees following the decolonization of North Africa. Legacies apart, foreign-born residents from outside the EU are especially prominent in highly urbanized and industrialized regions, including London and the Midlands, Paris, Frankfurt, Oslo, and Stockholm.

By contrast, the prevalence of immigration within the EU is much more even across regions, at least within countries (Figure 1.5). It is also lower, overall, which may be surprising because there are no restrictions on labor mobility within the EU.² Again, historical legacies matter. In Germany, the high prevalence of immigration reflects both post-World War II expellees from Poland and the Czech Republic (throughout Germany) and labor migrants from southern Europe since the 1960s (see Figure 1.3). Also, the European institutions in Luxembourg and Brussels have clearly left their marks on the composition of the local population. Switzerland became an attractive destination for emigrants from many EU countries, including high-income ones like Germany, after it opened its labor market to EU-15 citizens in 2007. Ireland and Iceland attracted many migrants from the EU, including from the new member states, during the economic boom that preceded their 2008 financial crises. Overall, these patterns suggest that immigration in the EU is still largely driven by income differences between countries of origin and destination, rather than the result of integrated labor markets between countries at similar income levels. Among the latter, presumably, migration costs (in terms of languages, legal frameworks, tax and social insurance issues) are still so large as to outweigh any benefits from access to a larger market.

Immigrants' original motivations do not differ much across destination countries in the EU, nor between immigrants from the rest of the EU vs the rest of the world (Figure 1.6). Among working-age immigrants in the EU family reasons predominate throughout, although they are particularly prominent among immigrants from non-EU countries (where this is the only migration channel open to many citizens). For citizens of many non-EU countries with diasporas in Europe, family unification has

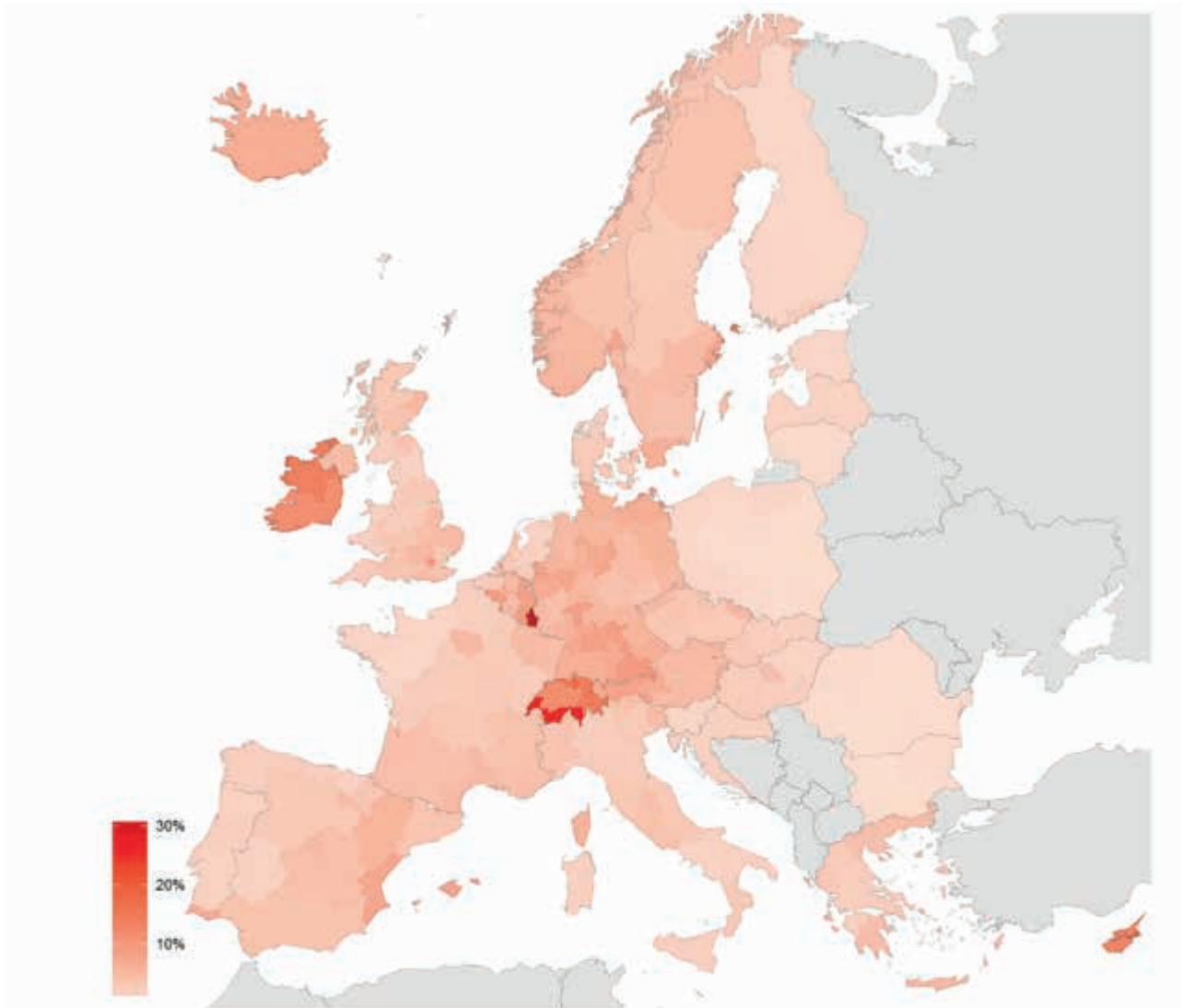
² Citizens of some new member states (among the EU-13) were still subject to transitory restrictions on their mobility for work in some old member states in 2011.

Figure 1.4 Non-EU Migrants 2011
percentage of population born outside the EU, by NUTS-2 region



Source: Eurostat, cens_11cobe_r2; GISCO - Eurostat (European Commission); Administrative boundaries: © EuroGeographics, UN-FAO, Turkstat; own calculations.

Figure 1.5 EU Migrants 2011
percentage of population born in another EU country, by NUTS-2 region



Source: Own calculations based on data from Eurostat (cens_11cobe_r2 and the Geographic Information System of the Commission – GISCO); administrative boundaries derived from EuroGeographics (© EuroGeographics), UN Food and Agriculture Organization, and Turkstat.

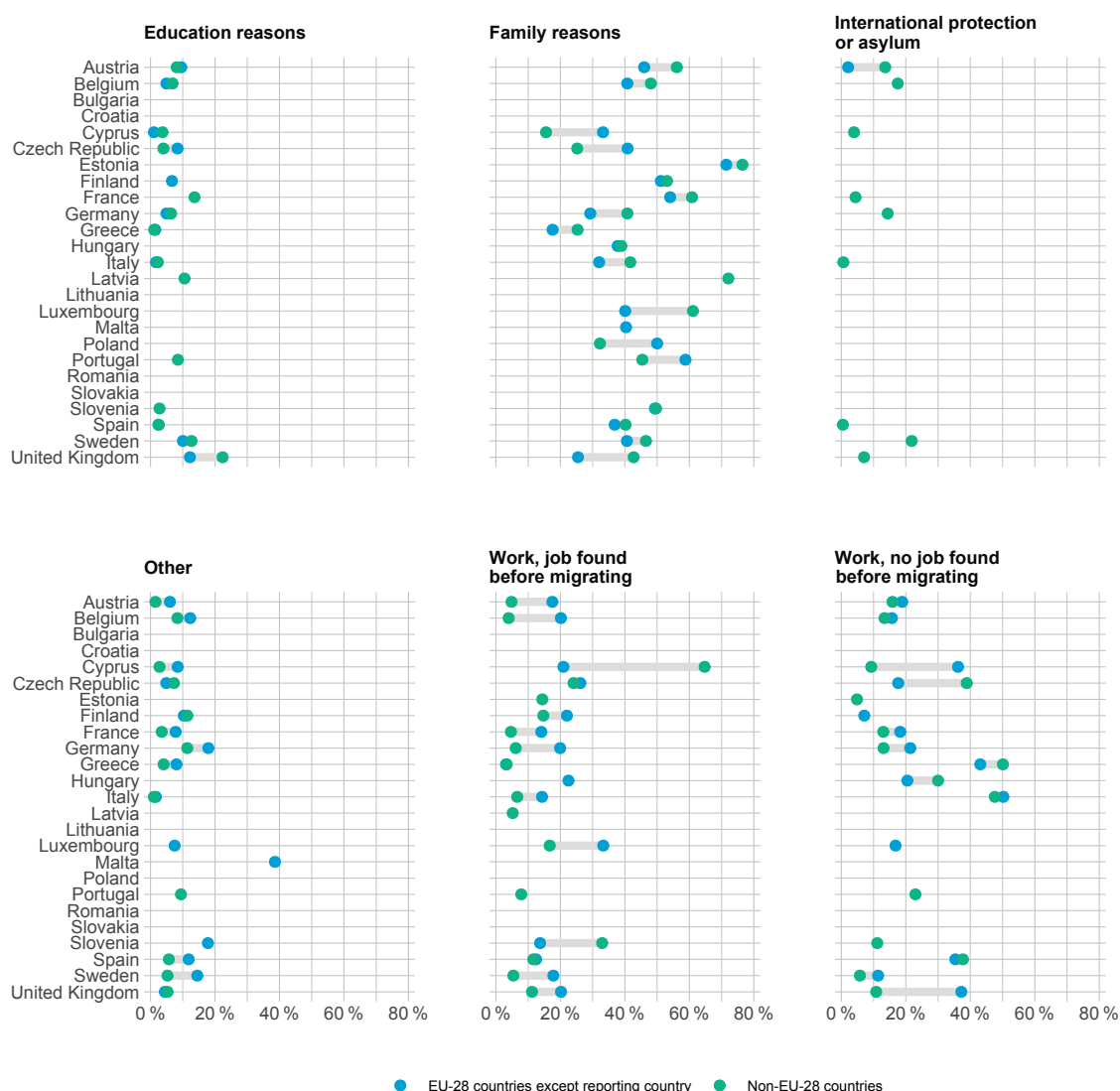
long been the main migration channel to Europe. Often it involves marriage with a spouse of a similar ethnic background who already lives in the EU. Many of these immigrants have found social and economic integration in the EU challenging as their knowledge of the local language tends to be limited and they have few educational or vocational qualifications that would be useful in the labor market of the destination country. Those who have originally come to seek protection are from outside the EU (naturally) and live mostly in a few EU member states (Austria, Belgium, Germany, and Sweden). More immigrants from within than outside the EU had already found a job before migrating. Although most new EU member states have seen little immigration so far (Figures 1.4 and 1.5), the prevalence of emigration from the EU-13 has increased substantially since 1990, when Communist regimes collapsed and citizens became free to emigrate (Figure 1.7 below). The increase accelerated from 2000 until 2010, as

growing numbers of EU-13 citizens gradually benefitted from free labor mobility within the EU. While the emigration rates for men were higher than for women until 2000, women had nearly caught up with men in 2010, reflecting similar trends in other world regions (Gabaccia 2016).

By contrast, emigration rates for the EU-15 countries have been similar for men and women since 1990 and practically stagnant at between 4 and 5 percent.³ With emigration rates of approximately 6 percent in 2010 in the EU-13, the decision of whether to emigrate or not has become one that many individuals in EU-13 countries take at least once in their lives. While one might expect that benefitting from free labor mobility may cause Eastern Europeans to adopt a positive attitude not only towards the EU, but also towards immigrants and immigration, the latter does not seem to be the case, at least for young people (Bertelsmann Stiftung 2017). We discuss the extent and drivers of popular support for EU-wide asylum policies further in chapter 2.

³ Emigration rates across countries in the rest of the world vary widely, with very low rates in populous countries such as China and India depressing the average for the group as a whole.

Figure 1.6 Motivation to migrate
percentage of total foreign-born migrants aged 15-64 by reason, origin and destination



Source: Own calculations based on data from Eurostat, Labour Force Survey, ad hoc module 2014 (Migration and Labour Market).

When we consider the gender balance of immigrants in the EU-28, a similar trend emerges (Figure 1.8). The shares of female immigrants from the rest of the world as well as from the EU-13 caught up with the corresponding shares of male immigrants around 2000 and have been almost identical since then. Growing employment of immigrant women from Romania and Ukraine in care-giving, especially in southern Europe, has probably helped to sustain that trend.

Finally, the skill composition of immigrants, measured by educational attainment, varies substantially across EU member states (Figure 1.9). We rely on the IAB (Institute for Employment Research) brain-drain data (Brücker, Capuano, and Marfouk 2013), which distinguish three levels of education: low-skilled (no schooling, primary, and lower secondary education); medium-skilled (upper secondary education with a high school leaving certificate or equivalent) and high-skilled (tertiary education with higher than a high school leaving certificate or equivalent). Not surprisingly, OECD countries that have pursued an active, selective immigration policy, such as Australia, Canada, New Zealand, and the U.S., have attracted

high numbers of high-skilled migrants, both relative to their resident populations and to total immigration. By contrast, the share of high-skilled immigrants in the resident population is small in many EU member states on the European Continent, such as Austria, France, the Netherlands, and Germany. These destination countries set themselves on a path for predominantly low- and medium-skilled immigration when they targeted those groups in their controlled labor migration schemes (e.g. guest-worker programs) from the early 1960s until the mid-1970s. Although these programs were halted when labor markets deteriorated after 1973, subsequent family unification brought in more immigrants with similar education levels.

Thus, although most immigrants face some broadly similar challenges, their immigration and integration experiences (see section 3.1) as well as their economic impact on their destination countries are diverse. In this report, we address pressing issues in EU asylum and immigration policies that relate to important groups of immigrants and residents. While we aim at relevance, we will also seek to be clear about the limits of where our analyses apply.

Figure 1.7 Emigration Rates 1980–2010
 population-weighted average proportion of migrants over the pre-migration population by gender and broad group of origin

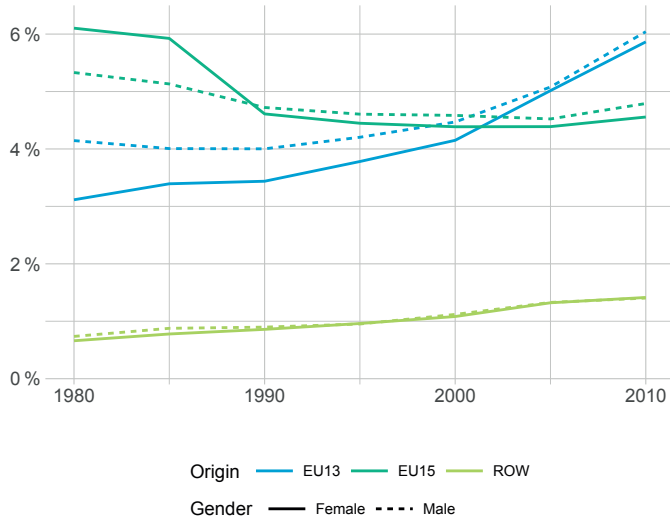
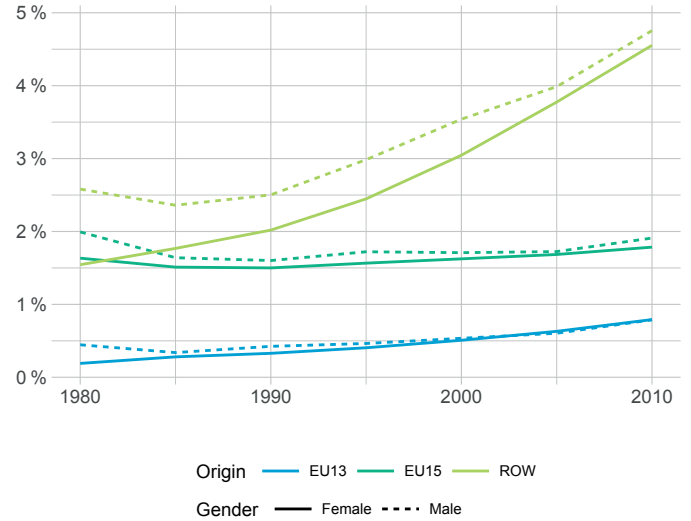


Figure 1.8 Immigrant Stock in EU28 1980–2010
 percentage of total population aged 25 or older, by broad group of origin and gender



Source: Own calculations based on IAB brain-drain data (Brücker et al. 2013) and UN Population Division Statistics.

Source: Own calculations based on IAB brain-drain data (Brücker et al. 2013) and UN Population Division Statistics.

Figure 1.9 Immigrant Stock 1980–2010
 percentage of population aged 25 or older by skill level



Source: Own calculations based on Brücker et al. (2013) and UN Population Division Statistics.

1.3 Displacement, integration, and return: Lessons from Bosnian refugees in the 1990s

Lead authors: Mikkel Barslund and Lars Ludolph

While the number of refugees on the move within the EU in 2015 may well have been the highest since World War II, European countries have experienced similar episodes in the recent past.

The refugee inflow of 2015 in many ways resembled what a number of countries experienced at the beginning of the 1990s when the collapse of communist Yugoslavia led to a series of regional wars. Over the course of a brief period, 1.2 million Bosnians fled their country as war refugees and more than half a million sought refuge in Western Europe, a situation similar to today's (Valenta and Ramet 2011; Valenta and Strabac 2013). Moreover, both refugee waves affected the same set of countries: Austria, Denmark, Germany, the Netherlands, and Sweden all saw a large absolute and relative influx of refugees in 2015 and between 1992 and 1995, when most Bosnians arrived in Western Europe (Table 1.1).

Furthermore, not only the scale of refugee flows, but also the policy debates at the time resemble the present situation: prominent issues included international burden sharing (then mostly among European countries) and

what level of support and integration to provide to refugees in reception countries.

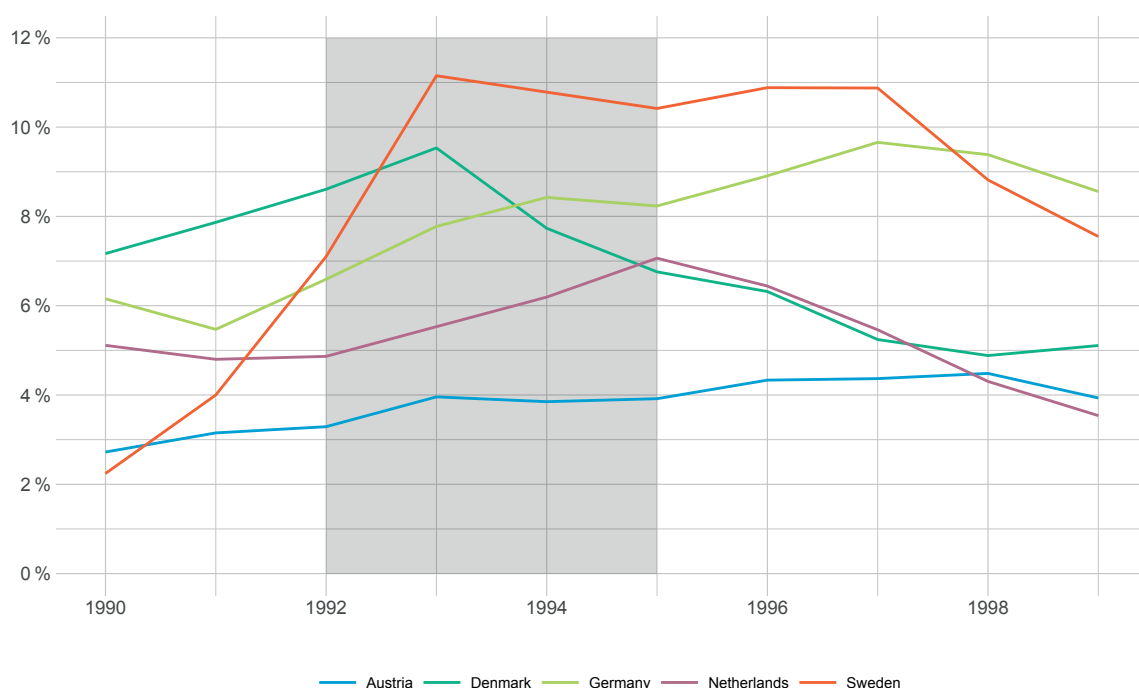
In a recent comparative study, Barslund et al. (2016)⁴ trace the integration experience of Bosnian refugees in the five main host countries to draw lessons for the current wave of refugees. Arguably, integration is inherently a slow-moving process. Looking closely at Bosnian refugees two decades after the end of the Bosnian war allows for a more long-term view on integration outcomes.

The five host countries make for a particularly interesting comparison because they differed in important ways when the Bosnians arrived (Figure 1.10).

Sweden had just entered what would turn out to be a prolonged economic crisis. Unemployment was high in Denmark too, but the subsequent path was one of falling unemployment rates and high growth for the following decade. The Netherlands as well as Austria were running at or close to full employment, while Germany was entering the period of being labelled 'the sick man of Europe'.

This situation was reflected to some extent in the approach to the initial reception of those fleeing the Bos-

Figure 1.10 Unemployment rates at the time of the Bosnian war in percent



⁴ This study which was conducted within the framework of the MEDAM project forms the basis of section 1.3.

Source: Own elaboration based the IMF World Economic Outlook.

nian war. Refugees only received temporary protection at the time of their arrival in all Western European countries. This was mainly a political compromise (Black and Koser 1999). For host countries, it was the only way of dealing with the large influx of refugees without amending or overburdening their asylum systems.

At the same time, the UNHCR wanted to push the issue of burden sharing of refugees across Europe. Temporary protection left the door open to involve those Western countries that had not initially experienced an influx of refugees displaced from former Yugoslavia. This strategy turned out to be largely unsuccessful and no reallocation mechanism was agreed upon. An additional concern was whether granting refugees permanent residency upon arrival would institutionalize the widespread ethnic cleansing going on in parts of Bosnia.

Although all host countries initially provided only temporary protection, there were large differences in the legal and institutional approach to dealing with the influx of Bosnian refugees. Three broad categories emerged among the five countries studied in Barslund et al. (2016). Sweden granted refugees permanent residency and labour market access shortly after arrival and any repatriation was voluntary. Austria, Denmark and the Netherlands converted the initial temporary asylum (with limited labor market access) into permanent residency with full labour market

Table 1.1 Overview of registered refugees from Bosnia and Herzegovina, 1992–95

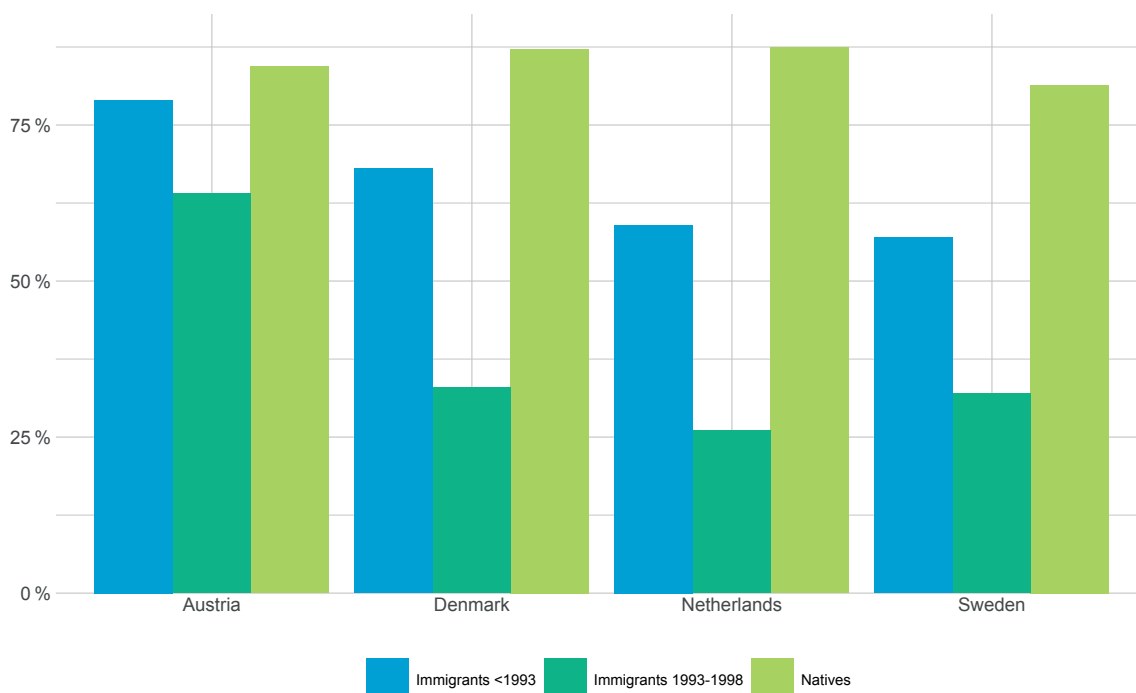
Receiving country	Number of registered refugees from Bosnia and Herzegovina	Number of refugees from Bosnia and Herzegovina as a share of the host country's population (%)
Germany	320,000	0.4
Austria	86,500	1.1
Sweden	58,700	0.7
The Netherlands	22,00	0.1
Denmark	17,00	0.3

Sources: Barslund et al. (2016), Valenta and Ramet (2011) and the OECD population database; population data from 1992.

access after a few years. In these countries, although there was some coercion initially, repatriation policies in practice focused on support for voluntary returnees (Valenta and Strabac 2013). Finally, Germany never intended to host Bosnian refugees permanently and repatriated the vast majority of them on a mandatory basis as soon as the war ended.

Against this background, one might expect very different outcomes regarding integration in the medium to long run. However, Germany apart, the overall story is

Figure 1.11 Employment rate of immigrants from former Yugoslavia and host population in 1998 in various host countries in percent



Sources: Own elaboration based on Angrist and Kugler (2003) and the Eurostat Labor Force Survey.

one of successful integration in all host countries. Differences are most pronounced in the speed of integration, not in the long-term outcome. Labor market outcomes, measured by employment rates, differ across countries in ways that can be linked to both their approach to integration and their initial labor market conditions.

Employment rates picked up fast in Austria where in 1998, 64 percent of Bosnian refugees were in employment⁵ (Figure 1.11 above). By contrast integration had barely begun in the other three countries. Sweden's double-digit unemployment rate was a factor, whereas the lack of labor market integration in Denmark and the Netherlands – which were both close to full employment in 1998 – may reflect a lack of integration measures early on.

Employment then picked up in all countries, albeit at a different pace. In Austria, labor market outcomes around ten years after the end of the Bosnian war were already on par with those of the native population. In Denmark, the Netherlands and Sweden, Bosnians still participated significantly less in the labor market and showed higher unemployment rates, but the gap with respect to the native population clearly began to close, in particular for the younger age groups (Bevelander et al. 2009; van den Maagdenberg 2004).

Recent evidence from Denmark and the Netherlands indicates that the educational attainment of young and second-generation Bosnians is on par with, or even exceeds that of the corresponding native population. More time is needed to assess if the gains in educational achievements of the second generation translate into higher employment rates, but the initial assessment is encouraging.

Overall, the results point to four interesting findings. First, with favorable integration policies and labor market conditions, the employment rate reached that of the native population in little more than a decade (the Austrian case). Second, granting the right to work quickly upon arrival is important, but failure to do so can be overcome over time (Denmark, the Netherlands). Third, initial unemployment levels in host countries are important for short-term labor market integration (the case of Sweden). Although this is hardly surprising, it does bear upon a possible reallocation of refugees across EU member states (see section 2.3). Finally, second-generation Bosnians, or those who arrived at a young age, perform roughly on par with native cohorts. We deem this to be a sign of a completed integration process.

Rebuilding Bosnia: Remittances and returnees

By the time of the Dayton peace agreement in 1995, more than 2 million Bosnians had been displaced from their homes, of whom more than a million lived outside Bosnia and Herzegovina. While many refugees outside Bosnia subsequently returned to their home country (notably from Germany), many more chose to stay in their countries of asylum. Since the peace agreement, emigration has continued and the current size of the diaspora is estimated at a little less than 2 million, or around 50 percent of the current population of Bosnia (BiH 2016; World Bank 2016).

The return of Bosnian refugees was complicated by the ethnic aspects of the war. Even after the peace agreement, many internally displaced Bosnians could not, or were not willing to return to their former homes in so-called minority areas where they feared persecution. Ethnic divi-

sions also politicized the process, with some local authorities reportedly discouraging return (ICG 2002). As of early 2017, according to UNHCR, there are still around 100,000 internally displaced people in Bosnia.

It is therefore unsurprising that the process of repatriating refugees is most often seen as problematic in the literature. A lot of early repatriation after the peace agreement was 'forced' (mainly from Germany), and some returnees became internally displaced in Bosnia and Herzegovina (Franz 2010). Return was further hampered by difficult economic conditions, with the official unemployment rate around 40 percent for most of the post-war period. In a qualitative study of 40 resettled Bosnians, de Koning (2008) reports that 'a large majority' of those interviewed would leave Bosnia again if they had the chance. This suggests that for many refugees, repatriation was not a positive experience.

Only scant quantitative evidence exists on the wealth and human capital embodied in returnees to Bosnia and Herzegovina. While a World Bank survey from 2001 finds that refugees and internally displaced individuals were at higher risk of poverty than those not displaced by the war (World Bank 2002), this may be a consequence of displacement, rather than low levels of education on the part of returnees.

With such a large diaspora, remittances play a crucial role in the economy of Bosnian and Herzegovina. The World Bank estimates that remittances received from abroad amounted to more than 11 percent of GDP in 2014, down from almost 20 percent prior to the financial crisis (World Bank 2015). An analysis of the 2011 Household Budget Survey shows that 1 in 20 households receive money from abroad every year. Hence, remittances are important in sustaining the livelihoods of recipient households. Large inflows of remittances also typically raise demand for local goods and services along with the reservation wage of recipients, contributing to an increase in the economy-wide real wage (until 2012 in the case of Bosnia and Herzegovina). Thus, indirectly, the benefits of remittances extend beyond recipient households.

There is little evidence on the specific role of remittances in the process of rebuilding post-war Bosnia and Herzegovina. Demirgüç-Kunt et al. (2009) find that in post-conflict economies, individuals who receive remittances from abroad are less likely to become entrepreneurs. The World Bank reports that one structural problem of Bosnia and Herzegovina's economy is an overreliance on consumption and capital inflows, and an underdeveloped export sector (World Bank 2015). These observations are compatible with the 'Dutch disease' effect of remittances: real wage growth through more demand for local goods and services renders manufactured exports less competitive.

In Bosnia and elsewhere, remittances are often associated with a lower GDP growth rate because they tend to weaken, through various channels, the incentives to invest in human capital. Nevertheless, Bosnian residents, both direct recipients of remittances and indirect beneficiaries through a higher real wage, enjoy a higher income level and living standard than they would in the absence of remittances. Those host countries that allowed Bosnian refugees to stay, work, and send remittances, rather than requiring them to return home after the war, have therefore indirectly supported Bosnia's post-war economic recovery.

⁵ Note that Bosnians cannot be clearly identified in the sample. However, cross-checking with macroeconomic statistics of refugee migration flows from the UNHCR between 1993 and 1998 reveals that the vast majority of former Yugoslav nationals entering into Western European countries were indeed Bosnians.