



# Labour Market Integration of Refugees

A comparative survey of Bosnians in five EU countries

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## Executive Summary

In 2015, Europe experienced the largest influx of refugees since the Balkan wars in the early 1990s. While arrivals are down in 2016, the security situation in the Middle East and the instability in North Africa and elsewhere mean that Europe will play host to refugees for the foreseeable future.

Quite apart from the considerable humanitarian issues at stake, this commands European countries – both out of self-interest and in the interest of refugees – to facilitate wider societal integration. Labour market integration of newcomers plays a key role in achieving this objective.

In this study, we trace the integration experience of Bosnian refugees from the Balkan wars to draw lessons for the current wave of refugees. Integration is a slow-moving process. Looking closely at Bosnian refugees enables us to see past immediate integration outcomes and take a longer-term view. Another consideration is that there is significant overlap among countries affected by the two refugee crises. Austria, Denmark, Germany, the Netherlands and Sweden all saw a large absolute and relative influx of refugees in both 2015 and between 1992 and 1995, when the bulk of Bosnians arrived in Western Europe. We study their labour market integration in depth in those five countries.

Taking such a long-term perspective is not without its problems. Comparable data sources are missing and countries differ in the extent to which former refugees can be identified subsequently. We overcome this by surveying both national and international language sources, and combing through the dispersed information available. One early insight emerges from this work: Internationally, there is a need for much better long-term tracking of immigrants in order to analyse their experiences and draw conclusions for policy.

A number of findings emerge from our study that merit attention:

- Overall, for the countries studied, the integration of Bosnians has been a success.
- Under favourable integration policies and labour market conditions, employment rates reach those of the native population in little more than a decade.
- Granting the right to work quickly upon arrival is important, but failing to do so can still lead to good long-term labour market outcomes.
- Initial unemployment levels in host countries are important, but again, need not inhibit labour market integration in the longer term.
- Second-generation Bosnians, or those who arrived at a young age, perform roughly on a par with native-born cohorts. We deem this to be a sign of a completed integration process.

Bosnians were generally better educated than other refugees. This may have played a role in their successful integration, and has implications for expectations regarding the integration of recent Syrian arrivals.

## 1. Introduction<sup>1</sup>

The year 2015 will likely go down in history as a crucial test for the European Union (EU). The number of refugees entering EU countries was unprecedented in modern history and revealed major flaws in the implementation of EU institutional mechanisms to handle a humanitarian crisis of such magnitude. Within this debate, lines have been blurred between humanitarian obligations towards asylum seekers, their social impact on host countries and the economic opportunities they present. The commingling of these questions has caused public confusion and an instrumentalisation of asylum seekers across the entire political spectrum. While humanitarian duties are arguably the most important element of the debate, economic and social outcomes are aspects where analysts may contribute in a useful way.

Efforts have therefore been made recently to consolidate findings and draw up best practices for the economic integration of refugees. These guidelines usually emphasise three major issues: first, long-term follow-up studies on refugee integration policies are sparse. The reason is almost exclusively the lack of tracking and therefore, no micro-data are available.<sup>2</sup> Second, even rigorous studies on the economic integration of refugees do not often capture more than a single outcome in a particular institutional or social setting that has to be interpreted in its historical context. Causal inference and transferability to other refugee crises and recipient countries are therefore difficult, and policy implications should be treated with care. Finally, due to their irregular occurrence and the largely anecdotal nature of evidence on refugee experiences in the Western world, present debates tend to start from scratch, largely ignoring historical lessons.

In this case study, we make an attempt to address the shortcomings outlined above. We revisit one particular group of refugees: Bosnians who were displaced during the Bosnian war in the early 1990s. We select five Western European countries – namely Austria, Denmark, Germany, the Netherlands and Sweden – that experienced a large influx of Bosnian refugees and that showed similarities regarding their institutional structures, as well as their level of economic development at the time. In this way, the success of integrating refugees into labour markets could be studied comparatively.<sup>3</sup>

Data on Bosnian refugees are not available in a structured database. For this reason, we utilise available national language sources in addition to international academic publications to study integration experiences. Our primary focus lies in the integration of Bosnians into domestic labour markets, in the short, medium and longer term perspective. Particular attention is paid to the initial integration conditions: access to the labour market and general labour market conditions measured by the unemployment rate. We further devote attention to how Bosnian refugees and their descendants have fared in educational systems vis-à-vis native and other immigrants. We believe that these experiences from the past offer useful lessons for those attempting to understand and cope with

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<sup>2</sup> This problem has recently found its way into the political debate. See for example the studies commissioned by the European Parliament (2016) and Bertelsmann (2016). Studies using longitudinal or repeated cross-sectional data often focus on the impact that immigrants have on natives. See Foged and Perri (2015) and Borjas and Monras (2016) for recent examples.

<sup>3</sup> Algan et al. (2009) are among the few authors we are aware of that take a similar approach to compare economic outcomes of different immigrant groups in Germany, France and the United Kingdom.

the current refugee crisis provoked by the Syrian civil war. The latest evidence from Germany suggests a relatively high level of education among Syrian refugees compared to other refugee groups, which is a feature Syrians share with Bosnians displaced in the early 1990s (Bundesamt für Migration und Flüchtlinge, 2016).

Our findings are manifold. Host countries differed significantly in the hospitality initially extended towards Bosnians. For example, Germany never intended to host Bosnians permanently, made no effort to integrate refugees into labour markets and started to repatriate them as soon as the war ended. At the other end of the spectrum, Sweden granted the majority of refugees permanent residency soon after their arrival. All other countries fall in between these extremes. Labour market integration of Bosnian refugees differs substantially between the various recipient countries. In Austria, where refugees gained relatively rapid access to the labour market and where labour market conditions were favourable upon arrival, labour force participation and employment rates of Bosnians quickly converged to those of Austrian natives. Bosnians in Sweden took longer to integrate into the labour market, most likely as a consequence of adverse general labour market conditions in Sweden at the time of their arrival. In Denmark, where the government was slow to grant the right to work, Bosnian refugees still perform significantly worse in labour markets than Danish natives. The sparse evidence from the Netherlands indicates that the initial conditions facing Bosnian refugees and their later labour market performance overall fall in between the other countries studied. We thus find an association of labour market outcomes with the early integration experience and initial labour market conditions. On the other hand, the educational level of Bosnian refugees on arrival seems not to be associated with medium and long-term labour market outcomes. Finally, second generation Bosnian refugees, who were displaced at a young age, perform on a par with the native population regarding both employment and educational attainment *independent* of their parents integration into the labour market. By these metrics, integration of Bosnians is a success.

The remainder of this article is structured as follows. Sections 2 and 3 lay out the historical context. Section 4 provides details on the legal procedures and institutional settings that Bosnian refugees faced when arriving in the various host countries. Section 5 then turns to labour market outcomes and the educational attainment of Bosnians and their descendants. Section 6 concludes.

## 2. Historical background

The Bosnian war between the different ethnic groups of Bosnia and Herzegovina took place from April 1992 until the Dayton Agreement in December 1995. Following the breakup of former Yugoslavia, Bosnian Serbs rejected the referendum vote in favour of the country's independence from Yugoslavia. Ethnic cleansing against Muslim Bosniaks and Catholic Croats quickly led to a full-scale war. Zwierzchowski and Tabeau (2010) estimate the number of total fatalities and missing people at a minimum of 89,186 or 2% of Bosnia and Herzegovina's 1991 population. Bosniaks suffered the most, with casualties and missing persons estimated at 57,992 or 3.1% of their overall population. About 1 million people were displaced internally and about 1.2 million fled the country as war refugees (Valenta and Strabac, 2013).

Due to ethnic and geographical proximity, about half of these displaced Bosnians took refuge in Serbia, Montenegro, and Croatia. The vast majority of the other half, consisting largely of Muslim Bosniaks, fled to Western European countries (Table 1).

Of the five countries analysed in this paper, Germany took in by far the largest number of Bosnians. Due to the significant differences in population size, absolute numbers do not reflect the whole picture. Table 1 shows registered refugees from Bosnia and Herzegovina during the war years in absolute terms and as a share of each host country's population.

*Table 1. Overview of registered refugees from Bosnia and Herzegovina, 1992-1995*

| Receiving country     | Number of registered refugees from Bosnia and Herzegovina | Number of refugees from Bosnia and Herzegovina as a share of host country's population |
|-----------------------|---|--|
| Germany               | 320,000   | 0.4%   |
| Serbia and Montenegro | 297,000   | 2.9%   |
| Croatia               | 170,000   | 3.6%   |
| Austria               | 86,500  | 1.1%   |
| Sweden                | 58,700  | 0.7%   |
| Switzerland           | 24,500  | 0.4%   |
| The Netherlands       | 22,000  | 0.1%   |
| Denmark               | 17,000  | 0.3%   |

*Data sources:* Valenta and Ramet (2011) and the OECD population database; population data from 1992.

In relative terms, Austria thus bore by far the heaviest burden. Geographical proximity may partly be responsible for the destination choices among Bosnians, but there is clearly no linear relationship between physical distance and the number of refugees taken in by individual host countries.

Researchers relying on aggregate statistics in conducting follow-up studies on displaced Bosnians have to be careful to distinguish between both forced and voluntary repatriation. The table below shows changes in the sample of Bosnian refugees in the aftermath of the Bosnian war.

*Table 2. Outflows of Bosnians from their country of reception and stock of Bosnian refugees in 2005*

| Host country (1992-95) | Moved to different country of reception | Repatriation to Bosnia (1996-2005) | Number of (former) Bosnian refugees remaining in 2005 |
|------------------------|---|------------------------------------|---|
| Austria                | 5,500                                   | 10,100                             | 70,900  |
| Denmark                | -                                       | 1,600                              | 15,400  |
| Germany                | 52,000                                  | 24,6000                            | 22,000  |
| The Netherlands        | 2,000                                   | 4,000                              | 16,000  |
| Sweden                 | -                                       | 1,900                              | 56,000  |

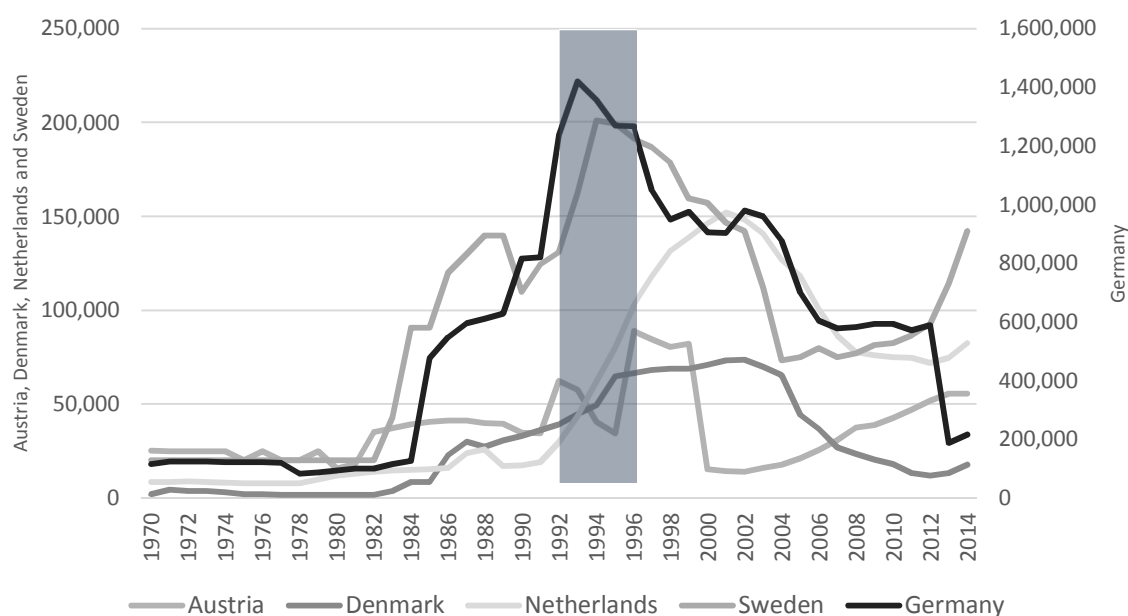
*Data source:* Elaboration based on Valenta and Ramet (2011).

The table reveals that Germany repatriated most Bosnian refugees in the aftermath of the Dayton Agreement. In all other host countries within our sample, repatriation was voluntary and only a small share of Bosnian refugees chose to return to their origin in the decade following the end of the war.

While it should be kept in mind that there can be large changes within samples of refugees due to return migration and repatriation over the years, this does not pose a problem in assessing the remaining refugees' situations within the receiving countries. Additional questions of interest to policy-makers are why refugees choose to leave the host country and whether there are compositional differences regarding their socio-economic characteristics vis-à-vis those who remain in the country. The collection of detailed micro-level data would be necessary to answer these questions.

In all of these countries – with the exception of the Netherlands – refugees entered countries where the number of refugees (in the wider definition of the term) was above 0.5% of the total population, even before the forced migration caused by the war in former Yugoslavia (Figure 1 below). Thus, Western European host countries had experience with handling a relatively large stock of refugees, for at least the preceding decade.

Figure 1. Refugees, asylum-seekers and others of concern in the five host countries



Data source: Authors' elaboration based on UNHCR and OECD data.

The choice of host countries among refugees is less well studied than the pull factors of economic migration. However, the research conducted on refugees' destination decisions emphasises factors similar to those that determine the choice of host countries among economic migrants. Existing networks, usually defined as the presence of a diaspora, and geographical proximity to the sending country are the primary determinants of choice of refuge (Neumayer, 2004; Moore and Shellman, 2007).

The two factors above turn out to be highly correlated with the absolute refugee intake, and we infer – in the absence of the substantiating modelling – that they are also likely to be the causal determinants for the destination choices of Bosnians displaced by the Bosnian war.

Bosnians have longstanding historical ties with most countries within our sample. In Austria, this dates back to 1878, when Bosnia was occupied under the Austro-Hungarian Empire. In 1966, these ties were strengthened when Austria recruited a large number of guest workers from former Yugoslavia. By 1971, more than 93,000 citizens from Yugoslavia lived in Austria (Medien Servicestelle, 2014). A similar

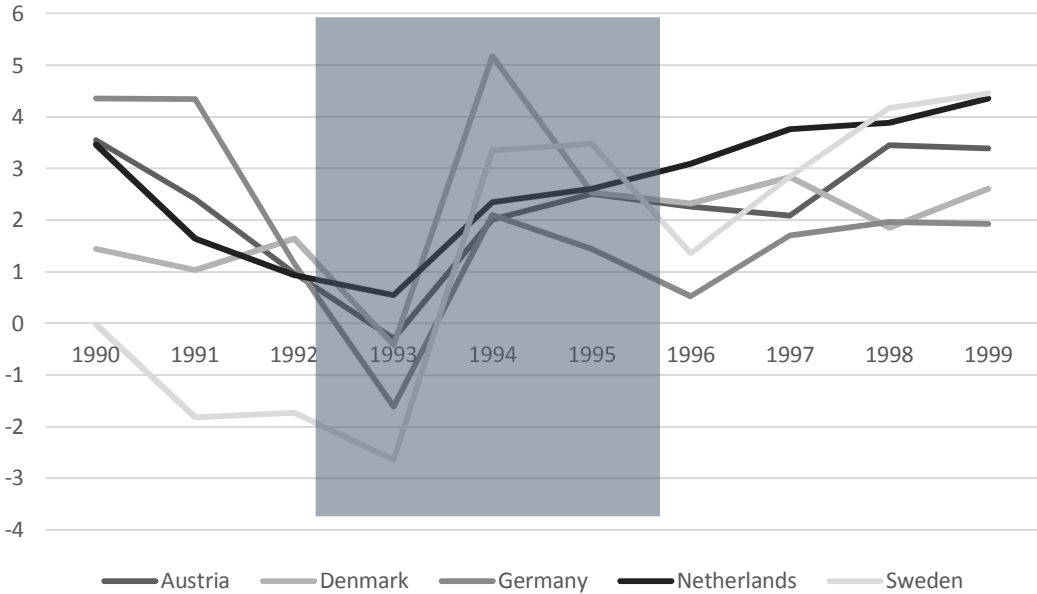
picture emerges in Germany, where guest workers entered the country mostly in the late 1960s. These former guest workers actively drew in refugees during the war years (Valenta and Strabac, 2013). In the Netherlands, the number of former Yugoslavs was slightly smaller before the war broke out, but still non-negligible. Based on van den Maagdenberg (2004), we estimate their number to be around 15,000. Denmark hosted approximately 10,000 Yugoslavian immigrants before the war started. Sweden experienced a large influx of Yugoslav immigrants between 1940 and 1970, mainly driven by economic and labour market opportunities in the manufacturing industry. As these opportunities died out, many of these workers emigrated. Very few Yugoslavs, among whom the number of Bosnians was negligible, entered the country in the years preceding the outbreak of the Bosnian war (Statistics Sweden). We infer that the number of Bosnians and Yugoslavs more generally was likely to have been smaller before the arrival of the first Bosnian war refugees than in other countries.

National statistical databases often do not disaggregate the countries of former Yugoslavia for the pre-war years. Recent research by Barthel and Neumayer (2015) shows that refugees do not only draw on existing networks between their own country and potential host countries but also utilise ties between countries in geographical proximity to the source country and potential destinations. On the one hand, it is reasonable to assume that this holds true for Bosnians and former Yugoslavs more generally due to their common history. We find no evidence in the literature surveyed that the conflict between the different ethnic groups in Bosnia and Herzegovina hampered this effect.

### 3. Economic and labour market conditions in Europe at the time of the Bosnian war

The economic environment was unfavourable in all host countries at the time the Bosnian war was unfolding. A global recession in the aftermath of the 1987 'Black Monday' stock market crash characterised much of the late 1980s and early 1990s. Western European countries experienced sharp drops in their economic growth rates (Figure 2).

Figure 2. Economic growth rates at the time of the Bosnian war



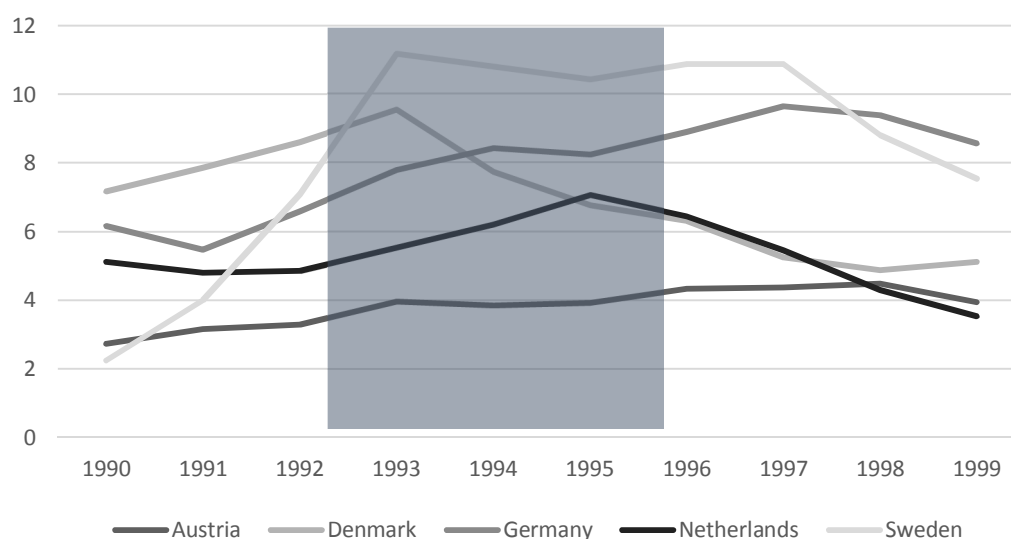
Data source: IMF World Economic Outlook.



The crisis was accompanied by a rise in unemployment in all five countries (Figure 3). These observations are important for two reasons: first, economic variables that are subject to high short-term volatility, such as productivity growth or unemployment, are not likely to be decisive in refugees' choice of destination (see Neumayer, 2004; Neumayer, 2005; Moore and Shellman, 2007). However, they aggravate labour market opportunities at the time of arrival, an issue often exacerbated by priority systems.<sup>4</sup> Despite the common assertion that fast integration into labour markets is crucial for integration into societies, if and how the initial conditions of labour markets contribute to path dependencies regarding the medium- to long-term employment prospects of refugees has not been well explored.<sup>5</sup>

Adverse labour market conditions may also impact the host countries' hospitality towards refugees, especially among workers within low-skilled sectors. This sentiment appears to emerge despite recent evidence from the UK, Austria and Denmark showing that an inflow of low-skilled refugees rarely leads to a displacement of local workers (Dustmann et al., 2013; Bock-Schappelwein and Huber, 2015; Foged and Perri, 2015).<sup>6</sup>

Figure 3. Unemployment rates at the time of the Bosnian war



Data source: IMF World Economic Outlook.

Host countries' economies were thus not conducive to absorbing a large number of refugees. Labour market conditions differed across the sample: they were most favourable in Austria, where unemployment remained low, and most unfavourable in Sweden, where unemployment rates exceeded 10% for the duration of the Bosnian war.

<sup>4</sup> A priority system is an employment protection measure that usually puts temporary residence holders last. For example, in Austria, when Bosnian refugees held the legal status of aliens, they could only take up positions that could not be filled by Austrians, recognised convention refugees, guest workers, labour migrants with social welfare credits or second generation aliens with at least five years of schooling in Austria (van Selm-Thorburn, 1998).

<sup>5</sup> See European Parliament (2016) for an example of a study that makes this claim.

<sup>6</sup> See also the seminal study by Card (1990) on the US. Card (2001), also for the US, finds a very small negative employment effect for low-skilled natives caused by migrants. Borjas (2017) and Borjas and Monras (2016) challenge these earlier findings and find that refugee inflows can have a significant impact on the labour market.

#### 4. Institutional and legal situation in the five host countries during the time of the Bosnian war

Institutions and legal systems of asylum can be assessed across different dimensions. In order to understand medium- to long-term labour market and educational outcomes of displaced Bosnians in the various receiving countries, the focus in this section lies on the intended hosting period as well as early access to labour markets and education. Intuitively, if host countries decide to grant permanent residency and to open their labour markets to refugees shortly after arrival and support them with integration measures, economic and social integration should be eased.

Initially, Bosnian refugees received temporary protection at the time of their arrival in 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 their asylum systems or overburdening them. The UNHCR had deeper concerns. The organisation wanted to push the issue of burden-sharing of refugees across Europe. In fact, discussions at the time bear some resemblance to those taking place within the EU today. Temporary protection left the door open to involve those Western countries that had not experienced an influx of refugees displaced from former Yugoslavia. This strategy turned out to be largely unsuccessful. Concern was also expressed about the signal being sent by granting refugees permanent residency upon arrival. It was felt that ethnic cleansing should not be indirectly supported by accepting acts of aggression in the Bosnian war and simply accepting the displacement of the Bosnian population.

Despite this consensus on providing initial temporary refuge, there were vast differences in the legal and institutional approach to dealing with the influx of Bosnian refugees. Three broad categories emerge within the selected sample of countries.

- 1) *Initial temporary protection but permanent residency and labour market access granted shortly after arrival (Sweden)*

##### *Sweden*

In an emergency measure that was taken in June 1993, the Swedish government granted 42,000 Bosnian refugees permanent residency in Sweden. For a majority of Bosnians, it was therefore clear that they would be allowed to stay in the country long term. Many of the asylum-seekers who were granted residency did not even have their individual cases tried (Pozvranovic Frykman, 2012).

The priority given to Balkan war refugees was also reflected in the refugee quota for 1992-93, which was devoted entirely to people from the region.<sup>7</sup> In 1993-94, the government extended the refugee quota from 1,800 individuals to 6,000, to allow for the legal and rapid intake of refugees from former Yugoslavia.

Refugees with permanent residency gained immediate access to labour markets. During the 1990s, Sweden also introduced complementary educational courses for immigrants arriving with a foreign diploma. By complementing the degree they already possessed from their home country, they increased their chances in the Swedish labour market, and Bosnians made use of this. Employers were also given incentives to employ individuals for whom access to the labour market was problematic, such as refugees, in the form of a 50% wage subsidy from the National Employment Authority for a

<sup>7</sup> The Swedish refugee quota is an annual quota for the resettlement of refugees who are selected by the Swedish Migration Board. These quota refugees enter Sweden with the required documents.

period of up to six months for all eligible employees who were over the age of 20 and had been unemployed for more than a year. Evaluations show that, overall, this initiative has improved labour market access for immigrants. Refugees in possession of a residence permit further received a training course of 1.5 years, which included Swedish language lessons, complementing education and information about the labour market (Bevelander and Pendakur, 2012).

Bosnians further received social assistance similar to natives, referred to as an “introductory benefit” and taken from the pot of government money earmarked as livelihood support.

Return migration of Bosnians in the aftermath of the Dayton Agreement was voluntary for permanent residency holders and not a forced repatriation. A number of Swedish volunteer organisations set up programmes and projects on the ground in Bosnia to support the return migration of Bosnians. The Swedish Migration Board assisted refugees who wanted to return home financially.

- 2) *Initial temporary asylum with limited access to labour markets, converted into permanent residency and full access to labour markets at a later point (the Netherlands, Austria and Denmark)*

#### *The Netherlands*

The first refugees from former Yugoslavia who arrived in the Netherlands entered the country on tourist visas, joining family and friends who had come to the Netherlands as guest workers in the 1960s and 1970s. In 1992, the Benelux countries introduced a visa obligation for Bosnia, making it more difficult for refugees to enter the Netherlands.

For refugees from former Yugoslavia, however, special measures were taken: the refugees were kept outside of the asylum procedure as their stay was initially considered temporary. They were regarded as ‘displaced persons’ (TROO refugees, tijdelijke regeling opvang ontheemden). Many of these refugees were housed in empty army bases and other buildings. The TROO status typically applied to refugees whose request to stay in the Netherlands was denied but who could not return to their unsafe country of origin. These refugees could apply for asylum and receive a monthly allowance of 445 Dutch Guilders (€200) from the Social Services. This status in principle allowed the refugees to stay in the Netherlands for three months, during which time the government would examine the situation in their country of origin. The status could be extended.

In 1993, the Dutch government found that this situation could not be maintained and therefore started to process asylum requests. The majority of Bosnian refugees received the A-status which is the official refugee status as outlined in the UN’s Convention Relating to the status of Refugees. This status entitled refugees to permanent residency, family reunification, the right to education, student loans and social security benefits. Access to labour markets was thus granted to a large number of refugees soon after their arrival.

#### *Austria*

Before 1991, the county had no specific legal framework for dealing with refugees. In 1993, a large influx of Croatian refugees spurred Austria to introduce the concept of temporary residency.

In the summer of 1993, Austria’s government passed a law that granted temporary residence to all Bosnian refugees who had entered the country legally. The law was also applied retroactively to Bosnians who had arrived before.

Bosnians faced two formal limits upon entering Austria's labour market (van Selm-Thorburn, 1998):

First, since Bosnians had the legal status of aliens, they could not simply take up jobs in Austria. The employment priority system in Austria put its own nationals and recognised convention refugees first, guest workers and labour migrants with social welfare credits second, followed by second-generation aliens with at least five years of schooling in Austria. Only if no one falling into the above categories was available could Bosnian refugees obtain employment.

Second, Austria also had a quota system in place that did not allow the ratio of self-employed plus unemployed foreigners to exceed 8% of the total number of self-employed plus unemployed in Austria. In 1995, that meant there were only 262,000 jobs available to foreigners (van Selm-Thorburn, 1998).

This situation changed in 1995, when Bosnian war refugees were granted work permits. By July 1995, 23,000 out of 50,000 who received government support were integrated into the labour market. This number increased to 60% by the end of 1995 (van Selm-Thorburn, 1998).

After the Dayton Agreement, forced repatriation was discussed but the idea was abandoned on humanitarian grounds. This implicitly meant that temporary protection was converted into permanent residency.

Children of Bosnian refugees were allowed to attend Austrian schools starting in autumn 1992 without restrictions. Free transport to and from school was provided.

Financial support had no legal basis in Austria but the central and local governments set up a care and maintenance scheme that granted Bosnian refugees between 1,500 (109 EUR) and 5,000 Austrian Schillings (363 EUR) a month per person, depending on the type of accommodation. Refugees in organised accommodation also received 100 Austrian Schillings (7 EUR) each month in pocket money. The costs were shared by the Interior Ministry (2/3) and the provinces (1/3). Training programmes for Bosnian refugees further included German language courses accessible to anyone and specialised vocational training for specific professions. Attempts were also made to train refugees together with local unemployed (van Selm-Thorburn, 1998).

### *Denmark*

The primary legal basis for Bosnian refugees' stay in Denmark was the so-called Yugoslav law enacted in November 1992 (Vested-Hansen et al. 1999). Apart from provisions related to administrative handling of refugees appearing spontaneous at the border, it also included extending invitations to people residing in the areas of the former Yugoslavia to temporarily move to Denmark under certain conditions. The law gave access to temporary but renewable six-month residence permits. Bosnians were thus exempted from the normal asylum process for *two years* after their arrival in Denmark. However, this also meant that the asylum procedure for those arriving was put on hold for two years. The temporary residence permit did not include the right to family reunion, although exemptions could be granted.

Yugoslav law was meant to give only temporary residence for a short period. Yugoslav refugees were installed in refugee shelters and little effort was made in terms of providing any daily activities. No activities were arranged that would aim at integration. Working either for a wage or as a volunteer was explicitly prohibited. Children were to be taught in a separate system in the refugee shelters and did not follow a Danish curriculum (L933, 1992).

The law was amended in December 1993 ('selvaktiveringsmodellen'), when more responsibility in managing the camps was delegated to residents and they were allowed to be actively involved in humanitarian work.

A further revision taking effect in June 1994 ('vilkaarsforbedringerne') gave temporary residence holders the right to work. A major limitation, however, was the condition that only job openings that had been advertised for a period of three months or more without a suitable Danish applicants were eligible. Children were allowed to attend the Danish school system.

Another change was the possibility of subsidised repatriation. The repatriation programme covered transport (including extra baggage), plus a small amount to cover other costs related to the move back to Yugoslavia. In the period 1994-2000, around 1,500 people were repatriated, with the bulk of repatriations taking place in 1996 and 1997 (Ankestyrelsen, 2014).

Even though it included a repatriation programme, the 1994 revision marked a change in attitude among actors, from a focus on temporary status to one on integration (Schwartz, 1998; Berg, 2002).

At the end of 1994, the first two-year 'holding' period with respect to asylum applications for refugees from Yugoslavia began to expire, and during 1995 more than 16,000 people from the former Yugoslavia received asylum. A further 1,100 people were granted asylum in 1996 (Indenrigsministeriet, 1997). This meant access to the regular integration programme, the education system, social assistance and the labour market, as well as accommodation outside the refugee camps.

Similar to the situation in Austria, a large share of the Bosnian refugees – those who arrived in 1992 and 1993 – waited two years or more before any substantial integration or language courses were offered to them.

### 3) *Temporary protection with very limited access to labour markets (Germany)*

#### *Germany*

Germany took in the largest number of Bosnian refugees in absolute terms. At the outset, Germany had a welcoming asylum-seeker system, where refugees were given time to stay in the country until their status was cleared. Accommodation and maintenance were provided for. Several factors contributed to domestic unease towards the high inflow of refugees and migrants. The country already faced a large inflow from Eastern Europe while German Reunification triggered internal East-West migration (Fassmann et al., 1999). In the context of low economic growth rates and rising unemployment rates from 4.8% to 7.9% between 1990 and 1993, attitudes towards refugees grew more critical.

Consequently, Article 16 of the German *Grundgesetz* (the German de facto constitution) was amended in 1993, making it more difficult for refugees who had passed through other safe member states of the European community to obtain refugee status in Germany.

Within this context, §54 AuslG was applied to Bosnian war refugees instead of the usual §32a AuslG, which had been established for civil war refugees shortly before – the latter was not implemented since the allocation of costs between the federal state and Bundesländer was not agreed upon (FES, 2002). This meant that Germany agreed to share a burden of Bosnian refugees and tolerated them temporarily as "de-facto-Flüchtlinge" (Temporary Protected Status). They were granted an exceptional

status since repatriation was not feasible, and thus they were mostly prevented from entering the regular asylum-seeker system (BirsI, 2003). In other words, the temporary protection status enabled non-ordinary refugees from Bosnia to remain in Germany until it was considered safe to return home but they were never offered the prospect of a long-term stay.

Access to the German labour market for refugees was severely limited by legislation. As in other countries, refugees had to pass a so-called 'Vorrangprüfung', a priority system that puts German nationals and permanent residence holders first. Refusal of repatriation automatically led to a permanent ban from the country's labour markets.

This priority system was tightened further in 1993, where potential employers had to demonstrate that they had tried but were unsuccessful in attracting a German national as a candidate for a position, even when recruiting in other regions and branches.

Only years later was the legislation softened, at which point most Bosnian refugees had already been repatriated. After the reform, the temporary right of residence entailed a 9-12 month ban from employment, followed by an assessment of labour market suitability after which temporary access to labour markets could be granted (Flüchtlingsrat BW, 2014).

Moreover, an apprenticeship could only be taken by a refugee after the aforementioned priority check and if the refugee was predicted to maintain his/her status and had sufficient (non-public) financial means to support himself/herself for the duration of the apprenticeship (Behrensen and Groß, 2004). Ultimately, very few de facto refugees from Bosnia found access to the German labour market; for example only 1-2% in Berlin obtained a work permit (Flüchtlingsrat Berlin, 2002). Special integration measures were not implemented on a federal level and access to the existing support systems in the form of language courses, vocational training measures and upgrade training were not granted due to their special refugee status (Flüchtlingsrat Berlin, 2002).

Bosnian refugees were entitled to the same social assistance as the long-term unemployed in Germany at the time. When repatriation started, rates were cut to 80% of the full amount (Hammerling and Schwarz, 2003). In some cases, the German high court overruled this practice (Anker, 1997). Social assistance was provided in the form of cash, rent coverage (residential accommodation) and other means. De facto refugees also had access to health insurance (Classen, 2013).

Table 3 below summarises the institutional and legal framework in the five host countries. The lighter the colours, the more favourable our assessment of the starting conditions.

Table 3. Overview of the institutional and legal framework in the five host countries

|  |                        | Type of residency granted   | Access to labour market and education   | Integration measures  | Financial support   |
|--|------------------------|---|---|---|---|
|  | <b>Germany</b>         | Temporary with forced repatriation once the Bosnian war ended   | Limited: refugees last in priority system; unlimited only after 4 years of employment or 1 year of training   | No or very limited access due to their special status   | Social assistance similar to natives  |
|  | <b>Denmark</b>         | Short-term temporary residency (6 months, renewable) initially; converted into permanent asylum for most refugees throughout 1995 | Very limited: no initial labour market access, then subject to priority system. Full access only with asylum status granted in 1995; children exempt from regular school system until June 1994 | Very few initially, integration measures only introduced in 1995  | Only provisional accommodation in refugee camps initially; access to social assistance only from 1995                                     |
|  | <b>Austria</b>         | Initially temporary, implicitly converted into permanent residency right after the Dayton Agreement. No forced repatriation       | Limited until 1995, then unlimited. Access to education for children from time of arrival   | Language and vocational training as well as measures to promote social integration  | Funds for accommodation and small sums for pocket money   |
|  | <b>The Netherlands</b> | Initially temporary but as early as 1993 most Bosnians received refugee status and thus permanent residency                       | Little to no access to labour markets while asylum procedure ongoing;<br>Full access to labour markets and education granted once refugee status was obtained                                   | Very few initially with participation in language and integration courses on a voluntary basis first, stricter later on                       | Provisional accommodation initially; 445 Dutch Guilders monthly from social services; after 1993, full access to social security benefits |
|  | <b>Sweden</b>          | Initially temporary residency. In June 1993, most Bosnian refugees were granted permanent residency                               | Unrestricted labour market access since June 1993; unrestricted access to education   | Permanent residency automatically entitled to language and training courses; subsidized employment for refugees eased entering labour markets | Social assistance similar to natives  |

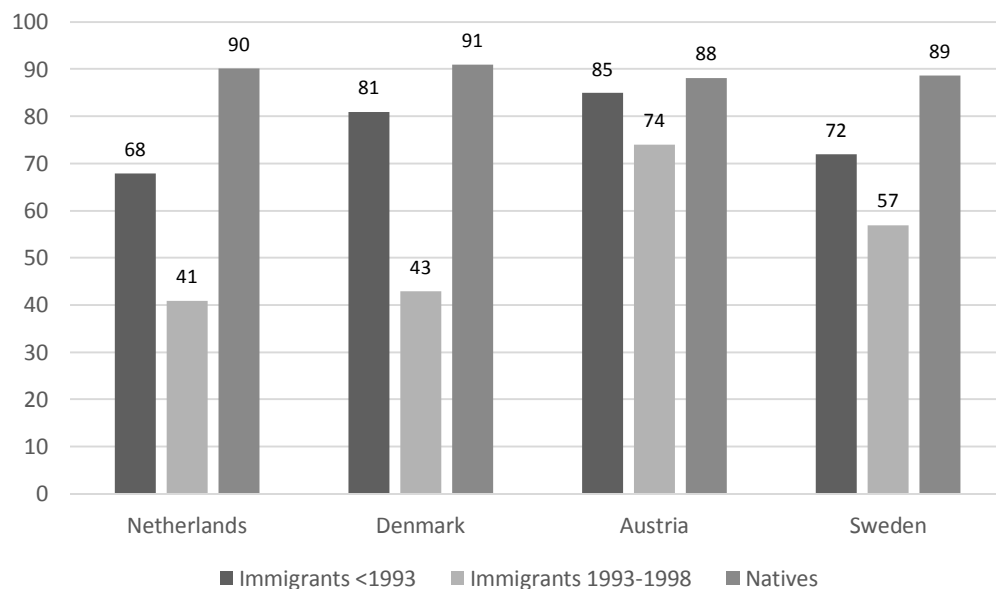
## 5. Medium and long-term labour market and educational outcomes of Bosnians in the five receiving countries

The picture that emerges of Bosnian refugees' experiences in the different host countries is far from homogeneous. The lack of available data with the specific purpose of following up on the economic integration of permanently displaced Bosnians proves a serious obstacle to causal inference. National statistical databases and labour force surveys often do not disaggregate data on former Yugoslav nationals. We will show below that this may lead to fallacies and false judgments regarding labour market outcomes in some countries. A further caveat to following up on Bosnian refugees is the lack of distinction in national databases between refugees and economic and family migrants. These groups of immigrants are known to differ significantly with respect to their success in labour markets and within educational systems. Aggregating them, in particular when the composition can only be estimated roughly, complicates analyses. The issue is again exacerbated by the practice of aggregating data to the level of former Yugoslavs.

For the reasons outlined above, we note that great care has to be applied when interpreting labour market outcomes and educational attainments of Bosnian refugees and their descendants. We attempt to overcome these weaknesses by utilising all available national and European-level resources and deriving some conclusions by comparison.

We first turn to labour market outcomes shortly after the end of the Bosnian war. The timeline of the wars in former Yugoslavia and the comparisons of the total number of Yugoslav refugees with those from Bosnia lead us to assume that identifying Yugoslav immigrants who entered host countries from 1993 onwards reasonably captures Bosnian war refugees. Figure 4 below shows labour market participation rates in the different receiving countries of said group in 1998.

Figure 4. Labour force participation of former Yugoslav nationals in 1998 in various host countries



Data sources: Angrist and Kugler (2003) and Eurostat Labour Force Survey.

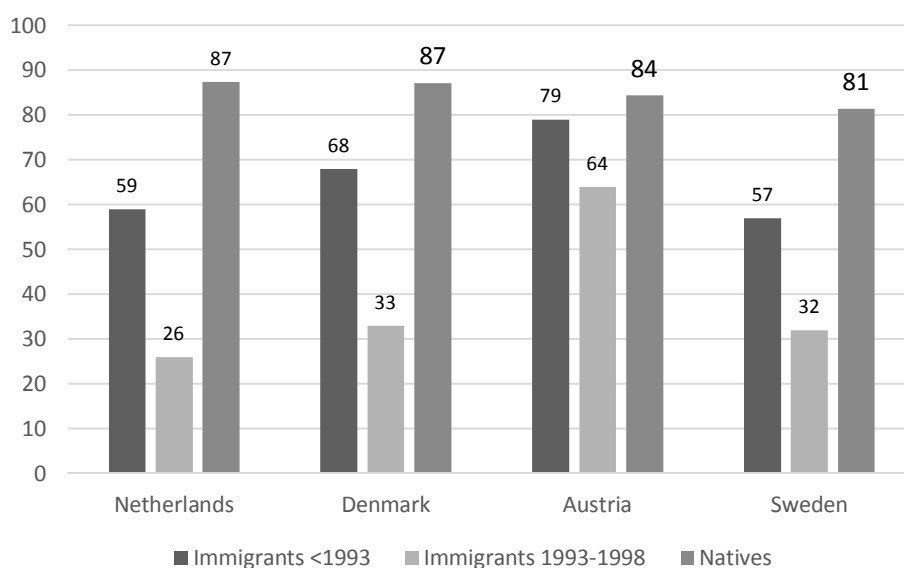
We exclude Germany from all further analyses, as it never intended to integrate Bosnian war refugees from the beginning. Furthermore, almost all Bosnian refugees were repatriated from Germany.



It is striking that in Austria more than 70% of all Yugoslav immigrants from the war years had joined the labour force by 1998. In Sweden, where they encountered the highest level of support, labour force participation stood at 57%, which is significantly below Swedish nationals and more than veteran immigrants but still ahead of Denmark and the Netherlands.

Employment-to-population ratios displayed in Figure 5, below, again show a very positive picture of the labour market outcomes experienced by former Yugoslav nationals in Austria, where this number had already reached 64% for recent immigrants in 1998. In all other countries of our sample, these employment rates remained subdued, between 26% (the Netherlands) and 32% (Sweden).

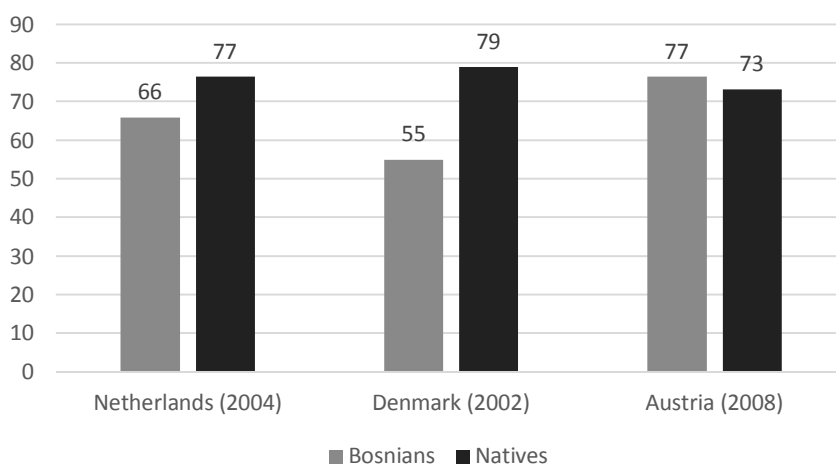
Figure 5. Employment rate of former Yugoslav nationals in 1998 in various host countries



Data sources: Angrist and Kugler (2003) and Eurostat Labour Force Survey.

Turning to the medium-term outcomes gives a much more positive picture, as shown in Figure 6 below.

Figure 6. Labour force participation of Bosnians in various countries



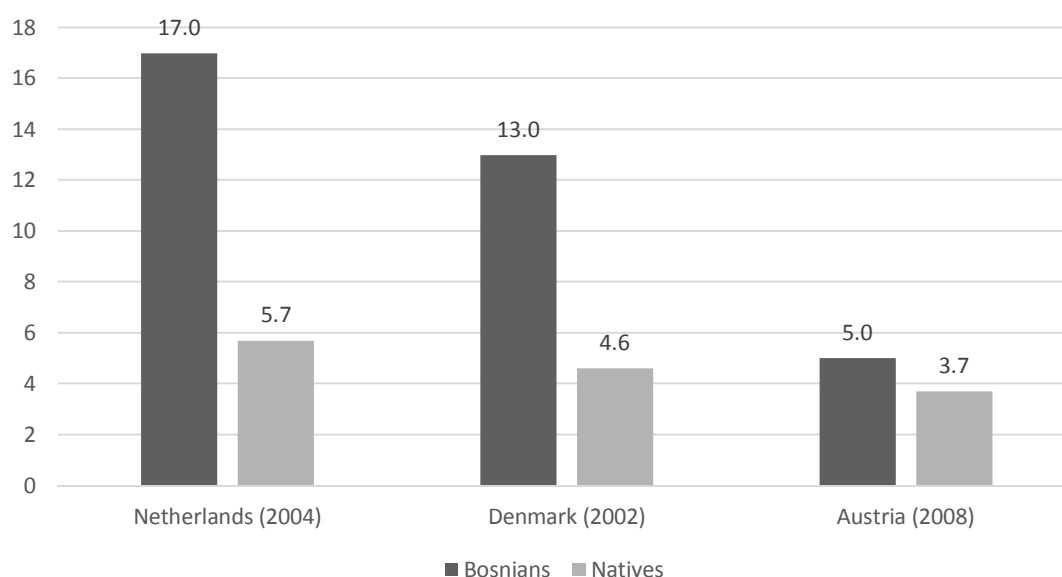
Data sources: Danmarks Statistik, Statistik Austria, van den Maagdenberg (2004) and Eurostat.

There is a clear convergence trend between Bosnians and nationals in these countries. By 2008, Bosnians participated in the labour force in larger relative numbers than Austrian nationals. Similar catch-up dynamics can be observed in the Netherlands (2004 data) and Denmark (2002 data).

Directly comparable labour force participation data from Sweden for the medium term are not available. However, Bevelander and Lundh (2007), based on Statistics Sweden, find employment rates of about 68% for Bosnian immigrants in 2003. This number is significantly above the 1998 value and that for other immigrants in Sweden, but it is still lower than employment rates among Swedish nationals (84%).

Unemployment rates for the same years are shown in Figure 7 below.

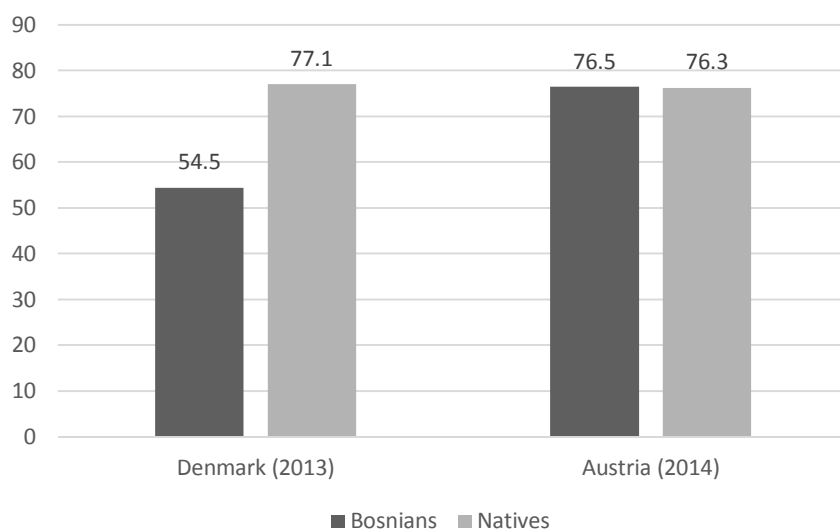
*Figure 7. Unemployment rates of Bosnians in the Netherlands, Denmark and Austria, 2002-08*



*Data sources:* van den Maagdenberg (2004), Danmarks Statistik (2002), Statistik Austria (2008) and Eurostat.

Austria again shows the most positive results. Relative unemployment among Bosnians is only marginally above that of Austrian nationals. In Denmark and the Netherlands, the difference in unemployment between Bosnians and Danish and Dutch nationals was still high, with 8.4 percentage points (Denmark, 2002) and 11.3 percentage points (Netherlands, 2004) respectively.

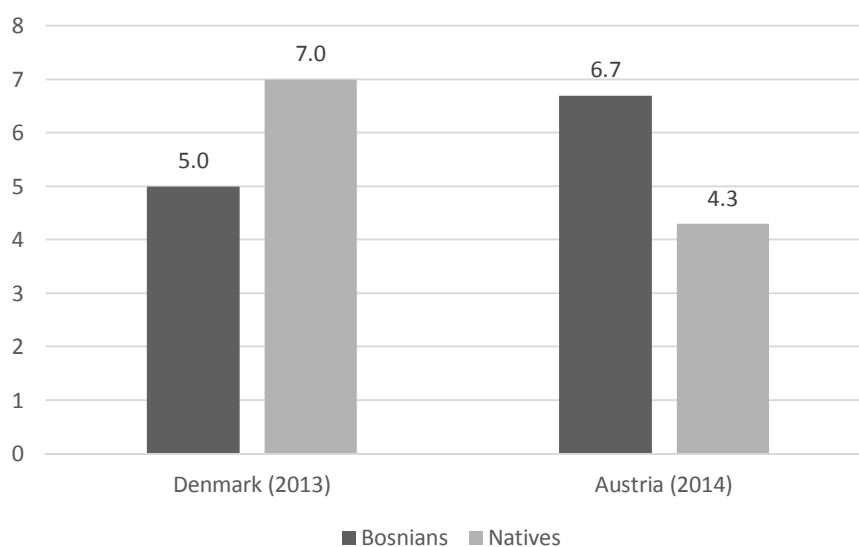
The most recent numbers from Denmark and Austria indicate that long-term labour market participation differs little from the medium-term results shown above (see Figure 8 below).

*Figure 8. Labour force participation of Bosnians in Denmark and Austria, 2013-14*

*Data sources:* Danmarks Statistik (2014) and own calculations based on Statistik Austria (2014).

The crisis years might have affected participation rates of Bosnians slightly more than those of the native population. We argue below that this could be the result of the skill composition among Bosnians vis-à-vis the Austrian native population.

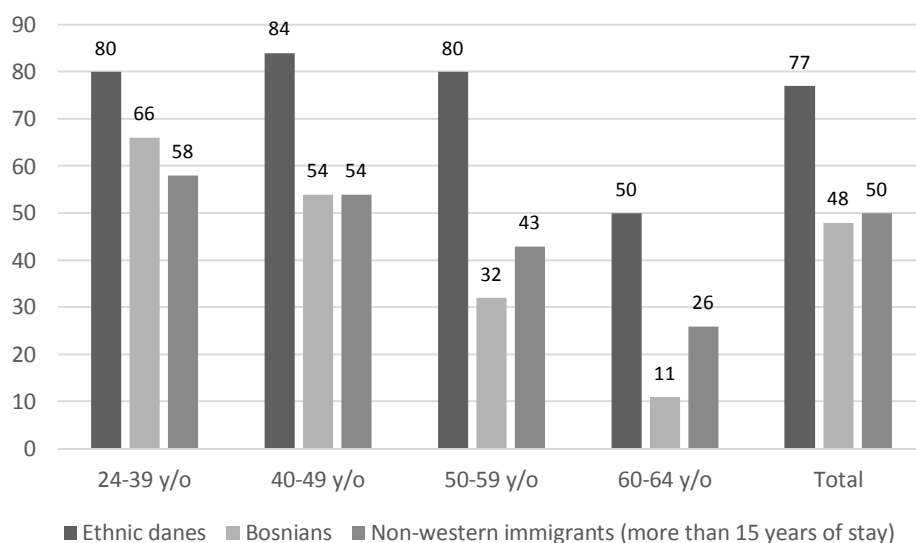
However, Bosnians still participate in labour markets in slightly higher relative numbers than native Austrians. Those who are part of the labour force perform on a par with the national populations on unemployment rates two decades after the end of the Bosnian war (Figure 9 below).

*Figure 9. Unemployment rates of Bosnians in Denmark and Austria*

*Data sources:* Ankestyrelsen (2014), Statistik Austria (2014) and Eurostat.

These findings are highly heterogeneous across age groups. Figure 10 below displays the employment rates of 25-64 year olds residing in Denmark for more than 15 years in 2013.

Figure 10. Employment rates of Bosnians, ethnic Danes and non-western immigrants (25-64 years), 2013



Data source: Ankestyrelsen (2014).

Employment rates are shown for ethnic Danes, Bosnian immigrants and non-Western immigrants. Bosnians do better than other non-Western immigrants for the age group 24-39 years old, but the relative decline in performance is steep. For both immigrant groups, the employment rate is 54% for 40-49-year olds, whereas for 50-64-year old, Bosnians are lagging behind non-Western immigrants by more than 10 percentage points. There is no difference when looking at gender-specific rates, except that men tend to have a higher employment rate than women for all age groups.

This is a first indication that those Bosnians who came to Denmark in their early years tend to do well. This is further corroborated by looking at NEETs (not in employment, education, or training) for 20-24 year olds. These are the youngest Bosnians arriving in 1993-95. NEET rates for Bosnians are very similar to those for ethnic Danes and much lower than for immigrants with a non-Western background.

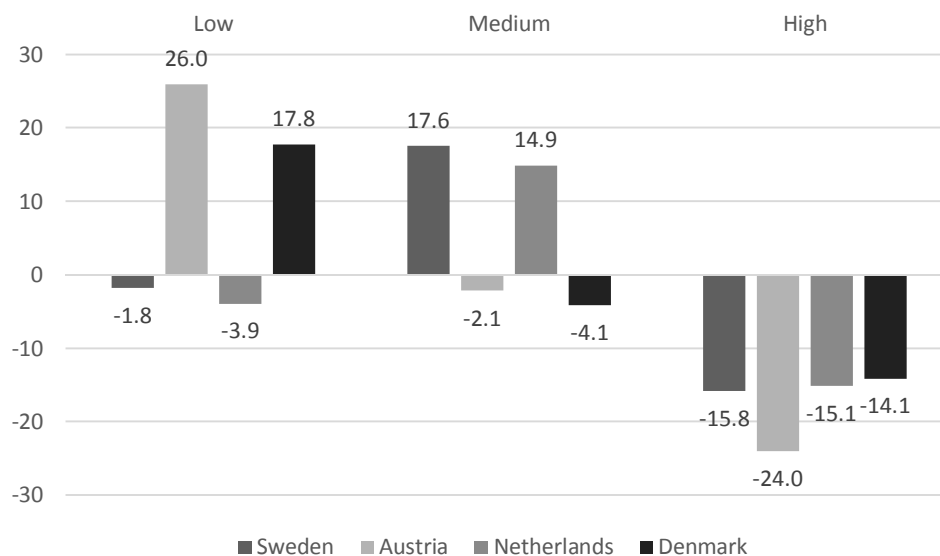
The decline in performance relative to non-Western immigrants with age could be a length-of-stay effect. Differences in education may be another potentially important difference, although this would likely widen the gap. One would have to look at micro data to disentangle such effects.

We find similar evidence in Sweden. There is no marked difference in the employment rate of children born to Bosnian migrants compared to children born to Swedes, suggesting that there is no continuation of intra-generational inequality in labour market participation for this particular migrant group (Hammarstedt, 2015). Children of Bosnian parents fare better than other second-generation immigrants: the employment rate of the latter group stood at 73% in 2014 compared to the Swedish national average of 83.1% (Statistics Sweden, 2014).

In addition to these stark generational differences, it is also noteworthy that there is large heterogeneity within the group of former Yugoslavs regarding their labour market outcomes. For example in Austria, employment rates differed significantly between Bosnians (71.5%) and Serbs (55%).

We now turn to the educational attainment of Bosnians in the respective host countries (Figure 11).

Figure 11. Educational attainment of Bosnians in various host countries



Sources: Authors' elaboration on Statistics Sweden (2015), Biffi et al. (2011), Hessels (2005), Bonke and Schultz-Nielsen (2013) and Eurostat data.

Surprisingly, Bosnians in Austria are on average less well educated than Bosnians in Sweden, Denmark and the Netherlands vis-à-vis the respective native population.<sup>8</sup> Neither vast differences in native educational attainment nor the classification of education are the causal driver of this finding (Eurostat).<sup>9</sup> It is thus highly unlikely that the more successful integration of Bosnians into labour markets in Austria compared to other countries was caused by the higher level of education in the sample of Bosnians seeking refuge in Austria. The most recent research by the OECD (2016) indicates that country effects have a strong and significant influence on employment rates among refugees while education only has a marginal effect. Our findings on Bosnians are in line with these results. Disentangling the causes behind these unexplained country effects is, in our view, fertile ground for further research.

One possible explanation for the lack of correlation between educational attainment and labour market outcomes can be found in the often-cited narrative of overqualified refugees (see for example OECD, 2016 or Joonas et al., 2014 and Nielsen, 2011) for immigrants and refugees in Sweden and Denmark respectively). If refugees mostly take up jobs below their skill level and if this holds particularly true for relatively well-educated refugees, the importance of education for labour market outcomes is severely diminished.

We find evidence for overqualified Bosnian refugees in most countries of our sample. For example, Halilovich (2013) reports in a qualitative study on Bosnians in Austria that many of them “work in underpaid jobs for which they are usually overqualified” (p. 533). In Sweden, 33.3% of foreign-born nationals report that they feel overqualified for their profession. For Swedish-born nationals, this

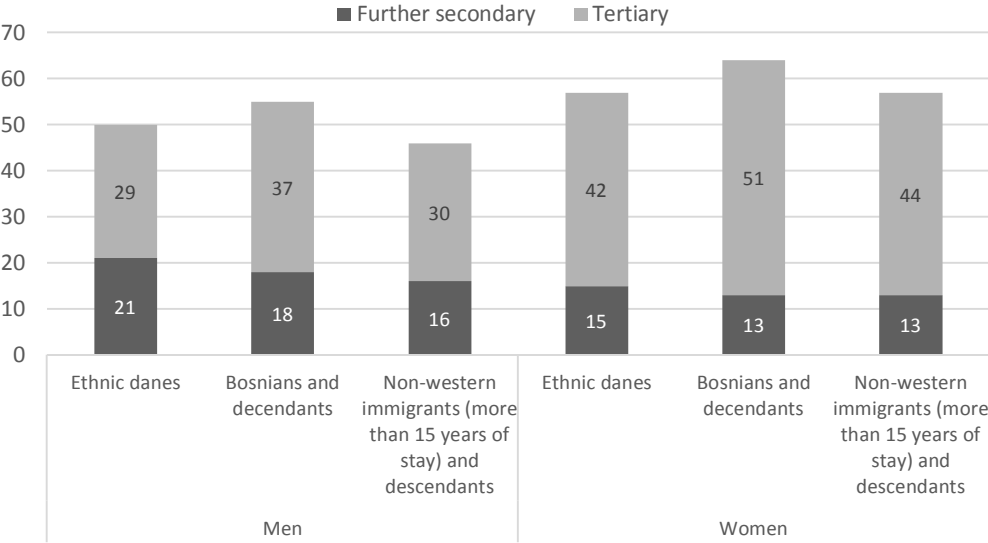
<sup>8</sup> See appendix for the educational attainments of Bosnians by country.

<sup>9</sup> Low level of education captures levels 1 and 2 of the International Standard Classification of Education (ISCED), medium education corresponds to levels 3 and 4. High level of education are individuals falling into categories 5 and 6 of the ISCED. We approximate the educational attainment of Bosnians in the Netherlands by the group of former Yugoslavs. The numbers displayed should provide a lower bound for their mean level of education: Across the sample, we find Bosnians to be slightly better educated than the group of former Yugoslavs as a whole.

figure is significantly lower at 17.3% (Statistics Sweden, 2014). Evidence from the Netherlands further suggests that many Bosnians did not have access to the occupations that they were qualified for in Bosnia as Dutch employers did not recognise their degrees. This led some Bosnians to accept employment for which they were overqualified. Most of them, however, decided to pursue additional training or followed language courses in an attempt to overcome the issue (Bolwijn and De Mooij, 2015).

Evidence from Denmark shows a positive picture of young Bosnians’ educational attainment (Figure 12).

Figure 12. Share of 20-24 year olds pursuing further education by gender in Denmark, 2012-13.



Data source: Ankestyrelsen (2014).

Within the age group of 20 to 24 year olds, both female and male Bosnians are enrolled in further secondary and tertiary education significantly more often than Danish nationals and non-Western immigrants. This evidence suggests that second-generation Bosnians and Bosnians who immigrated into Denmark early in their lives fare very well in the Danish educational system. A similar picture emerges in the Netherlands, where over 40% of children to Bosnian refugees obtained a university degree or a university college degree, a number above the national average (Bolwijn and De Mooij, 2015). According to de Boom et al. (2008), 54.9% of the former Yugoslavs aged 15-24 were enrolled in full-time education in 2007, which is on a par with the Dutch nationals. Hessels (2005) reports that children outperform their parents in terms of educational attainment and most of them follow higher education.

A further factor potentially leading to adverse labour market outcomes is discrimination by employers against Bosnian immigrants. We only find weak evidence for this hypothesis. Evidence from the Netherlands suggests that cultural proximity of Bosnians to Western Europeans has a positive impact on their employment opportunities. Van den Maagdenberg (2004) finds that Bosnians face much less discrimination than other immigrant groups such as Turks and Moroccans. On the contrary, a recent experimental study by Weichselbaumer (2015) finds that callback rates are significantly lower for Serbian applicants compared to national Austrians and German immigrants in Austria, but higher than

for other migrant groups. We do not find similar evidence from the other countries in our sample but conclude that discrimination against Bosnians, while present, is likely to be less severe than discrimination against other migrant groups.

## 6. Conclusions and discussion

The evidence above presented is of course fragmented and only allows us to point to correlations rather than establishing causality between the initial conditions refugees faced, their socio-economic characteristics and labour market outcomes. However, a number of interesting points emerge due to the stark differences across the countries we selected.

Germany never intended to host Bosnians permanently, made no efforts to integrate refugees into labour markets and started to repatriate them as soon as the war ended. At the other end of the spectrum, Sweden granted refugees permanent residency soon after arrival. The other countries fall in between.

Labour market outcomes of Bosnian refugees also show great heterogeneity across all countries. Bosnians in Austria were already indistinguishable from natives regarding their labour market outcomes 13 years after the large influx of refugees. From the start they performed better than Bosnian refugees in other countries of our sample. The level of education seems not to have been the decisive factor for their successful integration. More generally, we do not find a noteworthy association between educational attainment of Bosnians at the macro level and their labour market outcomes across the selected host countries.

A key question, which is closely linked to today's political debate, is whether there is any link between initial efforts to integrate refugees and their short-term, medium-term and long-term labour-market outcomes. We find a correlation between labour-market outcomes of Bosnians displaced in the early 1990s and our initial ranking of host countries' hospitality towards refugees. Evidence of Bosnians from Austria and the Netherlands and from Sweden show much more favourable labour-market outcomes than in Denmark, the country where refugees faced a rather non-integrative environment in the beginning. The magnitude of this head-start effect is, however, hard to quantify. Implicitly, these results are in line with latest OECD (2016) research. When controlling for socio-economic characteristics, most of the explanatory power on refugee integration stems from country effects. More research on the decisive factors is thus needed. Simply looking at the various labour market integration measures from a macroeconomic perspective, for example by public expenditure targeted at them, while ignoring their quality, might be insufficient.

We note that the head-start effect might have been severely hampered by adverse labour market conditions in some countries at the time of the Bosnian refugees' arrival. For example, unemployment in Sweden exceeded 10% in 1993, while this number stood at roughly 4% in Austria. This could be a reason why it took Bosnians more time to integrate into labour markets in Sweden than in Austria. We further note that refugees themselves are likely to underestimate the importance of business cycles for their integration success.

The sample of Bosnian refugees remained relatively stable over the past two decades in four out of the five countries we examined in this study. However, there are sources for potential bias when equating Bosnian refugees with Bosnians. Network effects drew in more Bosnians after the war ended – an effect of small yet non-negligible magnitude in all countries under consideration. A self-selection bias occurs in countries where repatriation was voluntary. Presumably, refugees who returned to their

home countries were less likely to have settled successfully into life in their host countries, making labour market outcomes of the remaining sample appear more favourable. For example, evidence from the Netherlands suggests that older refugees with difficulties to integrate into labour markets returned to Bosnia more often (Brink, 1996).

The case of Germany shows that temporary protection without integration efforts provides a valid policy tool. Following up on Bosnian return migrants and their economic outcomes in the aftermath of repatriation could be another interesting benchmark against which to measure Bosnian refugees' performance in recipient countries.

Altogether, these findings emphasise the need for more detailed micro-level data to disentangle other drivers of employment of refugees from the success of integration measures.

Evidence from Denmark and the Netherlands indicate educational attainments of young and second-generation Bosnians that are on a par with or even exceed those of the respective native population. Thus, the lower educational attainment of first-generation Bosnian refugees compared to natives appears to converge to (and even exceed in some cases) the levels of the native-born population within one generation. This is exceptionally fast and it is well worth following up on the determinants of these positive outcomes, particularly because such a catch-up is not found for other immigrant groups. More time is needed to assess if these educational achievements translate into employment rates. Initial results suggest that integration of young and second-generation Bosnians is completed successfully, as measured by their education.

We believe that these findings have implications for Syrians displaced by the civil war in their country. Initial assessments of their educational level in Germany show that 27% of new arrivals were enrolled in or had completed tertiary education before fleeing the country. This number is significantly lower for refugees entering Western European countries on average (Bundesamt für Migration und Flüchtlinge, 2016). As noted above, other factors will likely determine their initial success in the labour markets; however, if dynamics are similar to those experienced with Bosnian refugees in the early 1990s, the educational attainment of young and second-generation Syrians could converge quickly to the level found among the native-born population.



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## Appendix

### Details on the asylum procedure during the time of the Bosnian war

Bosnian refugees in the Netherlands received one of the following three statuses (Snel et al., 2000):

- 1) **A-status** is the official refugee status as outlined in the UN's Convention Relating to the Status of Refugees. This status entitled refugees to permanent residency, family reunification, the right to education, student loans and social security benefits.
- 2) **VTV status** did not entail recognition as a refugee but entitled an individual to a residence permit for humanitarian reasons. That status was mostly given to refugees from war zones who cannot prove they are individually persecuted. It encompassed a temporary residence permit for five years and the same social rights as the A-status.
- 3) **VVTV status** was invented for Bosnians. It is a temporary residence permit without formal recognition as a refugee but entitled the individual to stay until the situation in the country of origin improved. It needs to be renewed every year and is only valid for three years. The VVTV status was inferior to the A-status because it offered less security. The VVTV status implies that arrivals can be sent back to their country if the situation improves within a period of three years. These refugees receive a full allowance from the Social Services (which is not the case for those with the TROO status). However, the VVTV status was not easy to obtain as it was only granted to those considered 'privileged', while those who are underprivileged would not be eligible. It entailed less social rights than the two other options: no entitlement to family reunification, no access to student loans, limited access to labour market as well as a limited allowance and insurance. However, with the war in Bosnia dragging on, the VVTV status was often converted into an A-status.

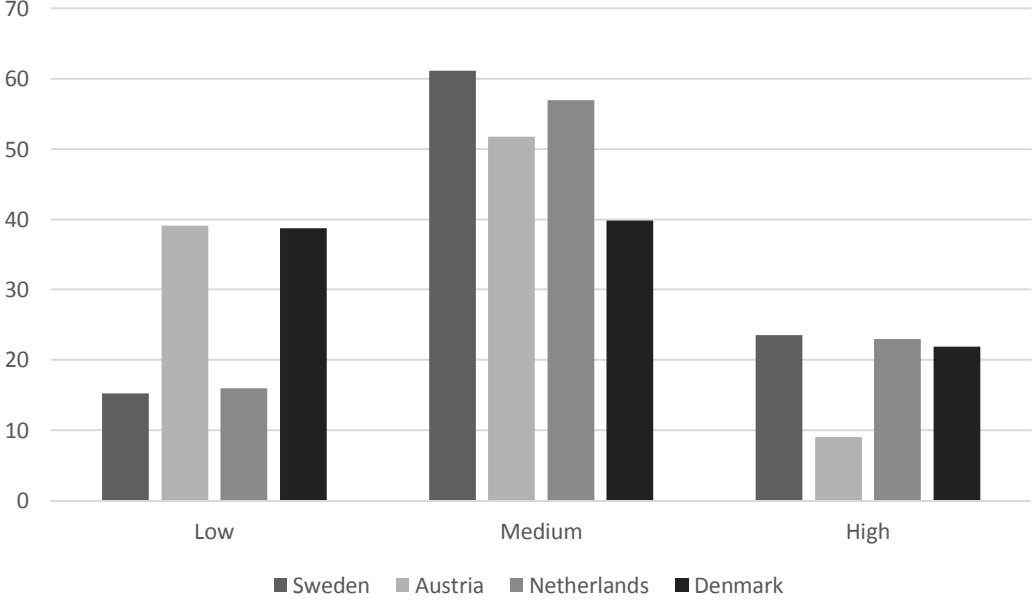
The table below summarises the asylum procedure. Most Bosnians displaced by the Bosnian war fell into the A-status category.

*Table A 1. Decisions about asylum requests from former Yugoslavia, 1985-98*

|                        | Asylum granted  |                 |               |                | Asylum not granted | Total  |
|------------------------|-----------------|-----------------|---------------|----------------|--------------------|--------|
|                        | Total           | A-status        | VTV           | VVTV           |                    |        |
| Former Yugoslavia      | 30,892          | 20,250          | 3,531         | 7,109          | 50,446             | 81,338 |
| Bosnia-Herzegovina     | 24,550<br>(60%) | 16,585<br>(68%) | 1,166<br>(7%) | 6,799<br>(25%) | 16,359<br>(40%)    | 40,909 |
| Yugoslavian Federation | 5,595<br>(15%)  | 3,454           | 1,906         | 233            | 30,806<br>(85%)    | 36,401 |
| Croatia                | 672<br>(32%)    | 211             | 385           | 76             | 1,490<br>(66%)     | 2,162  |
| Macedonia              | 73<br>(6%)      | 0               | 72            | 1              | 1,745<br>(94%)     | 1,181  |
| Slovenia               | 2<br>(4%)       | 0               | 2             | 0              | 46<br>(96%)        | 48     |

Educational attainment of Bosnians

Figure A 1. Educational attainment of Bosnians residing in the respective host countries



Data source: Authors' elaboration on Statistics Sweden (2015), Biffi et al. (2011), Hessels (2005), Bonke and Schultz-Nielsen (2013) and Eurostat data.