

in brief...

Bosnia: the labour market costs of conflict

The last issue of *CentrePiece* reported research by **Florence Kondylis** on the costs of conflict-induced migration for individual households in Rwanda. In this issue, she explores similar questions for people displaced and resettled as a result of the war in Bosnia and Herzegovina.

Bosnia and Herzegovina is a former territory of ex-Yugoslavia, which became independent with the fall of the regime in 1992. Shortly after independence was declared, conflict broke out between the three main ethnic groups living in the territory, the Serbs against the Croats and the Bosnians.

In 1995, shortly after the Srebrenica massacre, which took place in July, the Dayton agreement marked the end of the armed conflict, and initiated the partitioning of the country into two distinct entities: the Bosnian and Croat-led Federation of Bosnia Herzegovina, and the Serb-led Republika Srpska. Each entity makes up roughly a half of the total territory.

The most conservative estimate of the total number of casualties of the Bosnian war is 102,000. The number of people displaced by the conflict is estimated at about 1.3 million (in exile or internally displaced). Between 1996 and 2004, over one million of the internally displaced 'resettled' in Bosnia and Herzegovina. Most of the displaced Bosnians resettled in the Federation of Bosnia Herzegovina, whereas most of the displaced Serbs chose the Republika Srpska.

My research examines the impact of this conflict-induced migration on the labour market status of displaced people after they permanently resettled in Bosnia and Herzegovina – their propensity to be employed, unemployed or inactive (that is, not in education and neither working nor looking for work).

The labour market in Bosnia Herzegovina mainly consists of unregulated jobs – often referred to as the informal sector. Workers in this sector do not usually have access to health and unemployment insurance, and they cannot rely on other institutional amenities. Moreover, job opportunities in the sector are rarely made public since small-scale

employers tend to rely on informal networks to find suitable candidates. As the population of displaced people resettles within the country, I argue that they are likely to have reduced access to those informal networks. They are hence less likely to find employment or even engage in fruitful job-search activity.

I focus on the labour market outcomes of displaced people aged between 18 and 64, using data from the first post-war household survey in Bosnia, which was collected annually between 2001 and 2004, visiting the same households each year. Observing the labour market characteristics of the same people at different points in time makes it possible to estimate the impact of displacement on labour market status more accurately.

So what does the analysis reveal? First, I look at the average effect of displacement on labour market outcomes over the period 2001-4. Overall, displaced Bosnians are faring worse in terms of employment than their 'stayer' counterparts, although there is no evidence of such an effect for displaced Serbs. For Serbian women, there is no significant effect of displacement on work or inactivity, although there is a positive and significant effect on unemployment. There is also a significant effect of displacement on Serbian women's hours and hourly wages, suggesting that employed displaced Serbian women work shorter hours and earn less than their stayer counterparts.

These results are in line with the idea that labour market outcomes of displaced people are worse than those of stayers. Moreover, the fact that, despite higher levels of worklessness, the displaced tend not to experience higher levels of inactivity lends some support to the idea that they cannot 'afford' idleness.

People displaced by the Bosnian war are faring worse in the labour market than their 'stayer' counterparts



Looking at patterns of assimilation back into the labour market over time, I find that these vary along ethnic and gender lines. On returning, displaced Bosnian men experience significantly lower levels of employment as well as higher levels of unemployment and inactivity. As they gain in seniority, there is no evidence that they transit into employment, although they may transit out of inactivity and into unemployment. For displaced Serbian men, there seems to be little change over time.

Bosnian women are more likely to be workless on returning, but they tend to catch up with their stayer counterparts over time. This is very much in line with the results for Bosnian men. Serbian women are initially more likely to be inactive and less likely to be unemployed, but the differentials are reduced over time. There is no evidence of an increase in their employment over time.

Those results are particularly relevant in the context of conflict resolution and economic intervention. Overall, displaced people are faring worse, on returning, than their stayer counterparts, but Bosnians more so than Serbs. This is of particular concern in terms of crisis management, as they are likely to experience highly precarious conditions, which might put their and their children's livelihood at risk.

Although there is some evidence of assimilation into the labour market over time, most groups still

Bosnians are not doing as well as Serbs in getting back into employment

find it difficult to find a job, and merely transit from inactivity into unemployment.

High levels of informality in the labour market are likely to make it harder for the returning displaced to find, or even search, for some work.

Moreover, as those people are likely to have no wealth and no access to credit, they are less likely to react to the lack of opportunities for paid employment by setting up their own businesses. Credit interventions targeting people willing to be entrepreneurial might be a valuable avenue for policy-makers to pursue.

This article summarises 'Conflict-induced Displacement and Labour Market Outcomes: Evidence from Post-war Bosnia and Herzegovina' by Florence Kondylis, CEP Discussion Paper No. 777 (<http://cep.lse.ac.uk/pubs/download/dp0777.pdf>).

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