

Cost of Youth Emigration from Bosnia and Herzegovina

Western Balkans
Democracy Initiative

 Funded by
UK Government



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Foreword

The research study “Cost of Youth Emigration” is the first of its kind to provide data on emigration from Bosnia and Herzegovina and to respond to the question: How much does youth emigration cost the country of Bosnia and Herzegovina?

This is a simple question, but it concerns a very complex phenomenon. Even though there has been various research on the different motives and causes of emigration - which is a global phenomenon that has existed since the beginning of mankind - there is little or no information on the actual cost of emigration.

This study presents a cost estimate and the financial impact of the losses incurred by the increasingly worrying number of people who leave Bosnia and Herzegovina each year.

The research quantifies the effects and the implications of emigration on the entire Bosnian economy and the loss in GDP, while closely monitoring the way remittances are spent.

The intention is to present this data to decision makers, the wider public, the media and governmental and non-governmental bodies. We hope that a wide coalition of bodies will use this data in order to introduce political solutions on how to fight and decrease the costs of emigration and its negative effects. We expect that this study will initiate an even wider discussion on the emigration of young people.

This study was conducted by the Institute for Development and Innovation, a think tank from Serbia, with the support of the Westminster Foundation for Democracy (WFD).

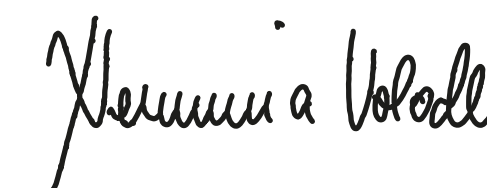
The Foundation thanks the Institute for Development and Innovation for this detailed and wide study, and the UK Government for its support in publishing the study.

WFD is the UK public body dedicated to supporting democracy around the world. In August 2018, WFD started a three-year regional programme called the ‘Western Balkans Democracy Initiative’. This initiative is funded by the UK Government through the Conflict, Stability and Security Fund.

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Summary

Migrations of people from the former Yugoslavia to Western European countries began in the 1960s, following agreements between the Yugoslav government and the leaders of Austria, France, Sweden and Germany. After this original interest up to 1978, the number of workers who came from Bosnia and Herzegovina for so called “temporary work” abroad gradually decreased. However, due to the war in the period between 1992 and 1995, the number of migrants and refugees has increased several times, and the trend has still not decreased today.

In Bosnia and Herzegovina the data on emigration is not adequate to create an analysis of scope, age, sex, educational structure and other characteristics, nor is there a database that we can use to systematically follow the phenomenon in the future. Therefore, with the purpose of quantifying the economic effects of migration through education costs and the loss of potential GDP, as well as remittance income, for the purpose of this research we have simulated different scenarios based on the relevant data available (such as OECD data) and certain hypotheses.

The cost of the education of a citizen in Bosnia and Herzegovina, cumulatively up to 2018, was around 13,000 euros for primary school, 20,200 euros for secondary school and around 29,000 euros for higher education studies. On average, postgraduate (PhD) studies cost around 43,000 euros. If viewed by entity, in the Republika Srpska and the Federation of Bosnia and Herzegovina, education costs in their entirety are closer to the country’s average, whereas in the Brcko District these expenses are well above average. This is a consequence of the fact that the average wage in the education sector in the Brcko District is higher than in the other entities.

Results show that directly and indirectly, due to the inability to prevent the departure of one citizen by productively employing them, a potential GDP loss of around 21,000 euros per person is generated. It should be noted that there are very small differences between the entities; this loss is highest in the Bosnia and Herzegovina Federation, at around 21,700 euros, in the Republika Srpska it is around 19,900 euros, and around 19,200 in the Brcko District.

At the same time, there are positive effects on the national economy due to migrations. The most important direct benefit of the migration flows are remittances. The contribution of remittances and other personal transfers to the GDP in the amount of 8% means that Bosnia and Herzegovina is one of the top countries in Europe regarding the amount of these contributions to its GDP.¹ If we look at other incomes that come from abroad (social incomes, and temporary workers’ incomes) the contribution to the GDP is more than 14% and reaches the amount of 2.5 billion euros a year.² The magnitude of remittances in the total GDP demonstrates both their high value and the low GDP, meaning that the economy is not developed and there is not enough economic activity in Bosnia and Herzegovina.

Despite being a significant part of the GDP, remittances have no other direct influence on the total economic growth, because they are used for personal consumption, while business investments are minimal.³

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Author’s calculation was based on the IMF database - Balance of Payments and International Investment Position Statistics

<https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473-CA1FD52&sid=1542640458779>

2

Ibid

3

The Household Consumption Survey, Statistics Agency, Bosnia and Herzegovina, 2018, p. 75

http://bhas.gov.ba/data/Publikacije/Bilteni/2018/CIS_01_2015_Y1_0_BS.pdf

Introduction

Migration, the process of the dislocation of people, has played a key role throughout history in shaping the world as we know it. People have always migrated, in groups or as individuals, running away from war or poverty, religious intolerance or political repression, seeking new places and opportunities, from one continent to another, one country to another, or within the same country.

Today, at the peak of globalization, with the spreading of the market of goods and capital, the removal of barriers in trade, transportation and travel of people, the standardization of products and services and improvements in working conditions, knowledge has become the most important economic resource, so migration of the workforce has become the dominant form of migration trends. Even though international workforce migration is not a phenomenon of modern society, in the last couple of decades it has reached unexpected proportions. Unlike some Eastern European countries, whose populations only began migrating when they became part of the EU, the population of the former Yugoslavia began migrating in enormous waves towards the west half a century ago, with the support of the countries on both sides.⁴ In that manner, one side managed to resolve the lack of a workforce in the primary sector, whereas the other was satisfied with the foreign remittances of working migrants, for whom they did not have the capacity in their underdeveloped industry.

A whole variety of “push and pull” factors influences today’s migrations. After the breakup of Yugoslavia, war, and transition, people left in search of better living standards, the possibility of advancement in their profession, stability, and reliable systems of government, where they could build a foundation for future generations. In addition, the structure of the migrating population is changing, and more and more young people with prospects are leaving to study abroad, and highly educated and qualified people are leaving once they graduate (the so called brain drain).

Many highly qualified experts and entrepreneurs benefit from the possibilities of the globalized economy, because the destination countries are competing with each other in order to attract highly qualified people through privileged rules on entering and remaining in their country.

Even more often than before, the congregation of families is notable. The migration of spouses, children and other family members of primary migrants is often the largest individual category of entry into many countries.

The influence of the mechanical movement of a population on the socio-economic activities in a country imposes the need for their management in the countries on both sides. In order to fully estimate the nature, scale and characteristics of this activity, as well as its consequences, we need adequate data. However, there are numerous limitations to administrative and statistical data, because in different countries and institutions the methodologies and definitions can vary depending on their purpose.

With this paper, based on public demographic, educational and macroeconomic statistics and data, we attempt to quantify the influence of the current emigration trend on the economy of Bosnia and Herzegovina and to set a basis for further detailed and deeper analyses.

Three key questions that the analysis seeks to answer are:

1. What is the average cost of education for highly educated people?
2. What is the opportunity cost in terms of the potential GDP loss generated by the annual population emigration?
3. What are the effects of the migration flow on the economy of Bosnia and Herzegovina, and how positive are they?

1. Migration statistics



After WWII, as part of former Yugoslavia, Bosnia and Herzegovina had a long period of increase in population,⁵ as it was among the above average republics with a high natural increase (along with Montenegro and North Macedonia).

However, after the end of the 1992-1995 war, there was a fall in the natural increase rate which led to an equalization of births and deaths (8.9 per 1000 people in 2008),⁶ and thus a stagnation and moderate drop in the population numbers, based on this indicator.

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Thematic newsletter
"Demographics",
Statistics Office of BiH, 2010.

http://www.bhas.ba/tematskibilteni/DEM_2009_002_01-bh.pdf

However, what is alarming is the massive outflow of the population, which has a far greater impact on the decrease in population. The migration process that started in the 1960s began to decrease in the 1970s. However, during the early 1990s, due to the war, the process intensified, and it has not stopped today, 25 years after the end of the war. This is a long-term trend that cannot be explained by the current political or economic situation, but demands an analysis from different aspects.

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Thematic newsletter
"Demographics",
Statistics Office of BiH, 2010.

http://www.bhas.ba/tematskibilteni/DEM_2009_002_01-bh.pdf

According to the census information in 1991, Bosnia and Herzegovina had a population of 4,380,000 people, whereas in the Census of 2013 this number had decreased to almost 3,530,000,⁷ which is around 850,000, or 20% less. However, other studies, like the Labour Force Survey (LFSI) for example, show an even bigger drop. According to that survey, conducted in 2013,⁸ Bosnia and Herzegovina had 3,050,000 people (around 480,000 fewer than in the Census) while according to LFS 2018 data,⁹ it was estimated that the number of people in Bosnia and Herzegovina was lower by 316,000 in 2017, meaning there were 2,734,000 people. Divided into entities, this means that the Federation of Bosnia and Herzegovina had 1,728,000, the Republika Srpska 943,000 and the Brcko District around 63,000 people.

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Census results 2013,
Statistics Office of BiH, 2016.

http://www.popis.gov.ba/popis2013/doc/RezultatiPopisa_SR.pdf

The official statistics on migrations, conducted by the Statistics Office of Bosnia and Herzegovina, in cooperation with the entity offices (the Federal Statistics Office and the Republika Srpska Statistics Office), follow internal migrations and immigrations from abroad, but not emigrations, so this institution does not offer relevant information on migrations from Bosnia and Herzegovina.

However, the Ministry of Human Rights and Refugees of Bosnia and Herzegovina, as part of its jurisdiction, gathers data on emigration from the country which includes the number, sex, status, employment status, education system inclusion, integration in the destination countries, remittances, etc. This data (for Bosnia and Herzegovina) contains official information from the official institutions in Bosnia and Herzegovina, destination countries' statistics offices, and diplomatic and consular offices of Bosnia and Herzegovina, based on which this ministry develops yearly reports on the status of emigration from the country. According to this report in 2018, the estimate for the total number of people who live abroad but originate from Bosnia and Herzegovina is at least 2 million people (whereas the total number of first generation migrants, who were born in Bosnia and Herzegovina and live abroad, is 1,691,350),¹⁰ which is around 56% of the total population in the country, according to the 2013 Census.

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Labour Force Survey 2013,
Statistics Office of BiH, 2013.

http://www.bhas.ba/ankete/BHAS_Ars_BH_press.pdf

9

Labour Force Survey 2018,
Statistics Office of BiH, 2018.

http://www.bhas.ba/tematskibilteni/LAB_00_2018_Y1_0_HR.pdf

10

Report on the implementation
of policies regarding cooperation
with migrants of 2018,
Ministry of Human Rights and
Refugees of Bosnia and
Herzegovina, 2019, p. 13

https://dijaspora.mhrr.gov.ba/wp-content/uploads/2018/02/Izvjestaj-o-provedbi-Politike-za-2018_11.3..pdf

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International Migration Database,
OECD database











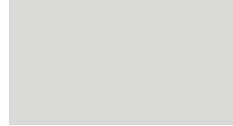
[https://stats.oecd.org/
Index.aspx?DataSetCode=MIG](https://stats.oecd.org/Index.aspx?DataSetCode=MIG)



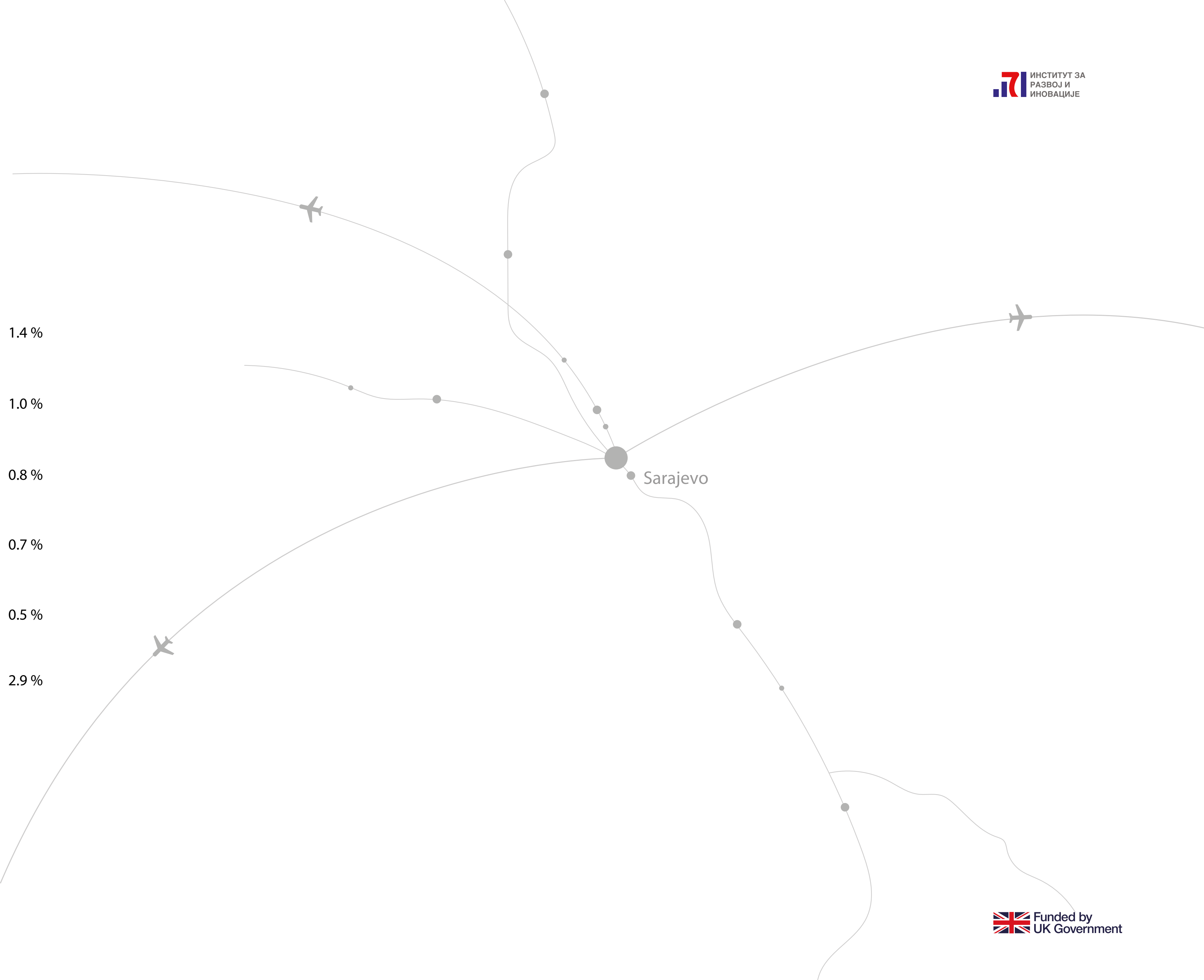
Based on data from the Organization of Economic Cooperation and Development (OECD), it is estimated that in the 36 member countries of this organization, in the period between 2013 and 2017, around 184,000 people emigrated from Bosnia and Herzegovina (permanently or temporarily), which is 36,800 people per year. This number is increasing from year to year; it increased from 28,000 in 2013, to 44,700 in 2018.¹¹

If viewed by countries, according to OECD data, the favorite destination countries of people from Bosnia and Herzegovina are Germany, with more than half (54%), Slovenia with 26%, and Austria with 9% of total emigrants.

Structure of migrants from Bosnia and Herzegovina
per destination country, 2017, %

	Germany	53.7 %		Switzerland	1.4 %
	Slovenia	25.8 %		Italy	1.0 %
	Austria	9.4 %		France	0.8 %
	Sweden	1.9 %		Czech Republic	0.7 %
	USA	1.9 %		Turkey	0.5 %
				Other countries	2.9 %

Source: International Migration Database, OECD database



It is important to note that this data encompasses all people who leave the country in a single year, so it includes all people who left the country due to temporary work, education purposes, company transfers, and other forms of so called temporary labour migration. Keeping this in mind, throughout the observed 5-year period, around 93,000 people returned home from OECD member countries.

Therefore, if we correct the average annual outflow of 36,800 people with the average number of people who return to Bosnia and Herzegovina annually, keeping in mind that this number contains temporary migrations (around 18,600 per year), we get a net annual outflow of around 18,200 people. Nonetheless, it is not possible to establish the actual number of people who left Bosnia and Herzegovina, as there is no requirement to report departures, and that data is not collated in Bosnia and Herzegovina.

The International Organization for Migration (IOM) deals with international migration as part of the UN. Before the breakup of Yugoslavia in 1990, this organization counted around 860,000 migrants throughout the world originating from Bosnia and Herzegovina.¹² After that, in 1995, the number increased by more than 500,000 people, and kept increasing, so that in 2019, it amounted to 1,650,000 people all around the world.

According to the UN 2019 data, when we look at the territorial layout of Bosnian migrants, the European diaspora totally dominates, as out of a total of 1,653,056 migrants, almost 90% (around 1,435,000) live in Europe.

When viewed by individual countries, most migrants live in Croatia (around 374,000) and Serbia (around 341,000), followed by Germany with 185,000 and Austria with 183,000. Among the Southern European countries, Slovenia has the most Bosnian migrants with around 104,000, whereas there are around 100,000 in Northern Europe.

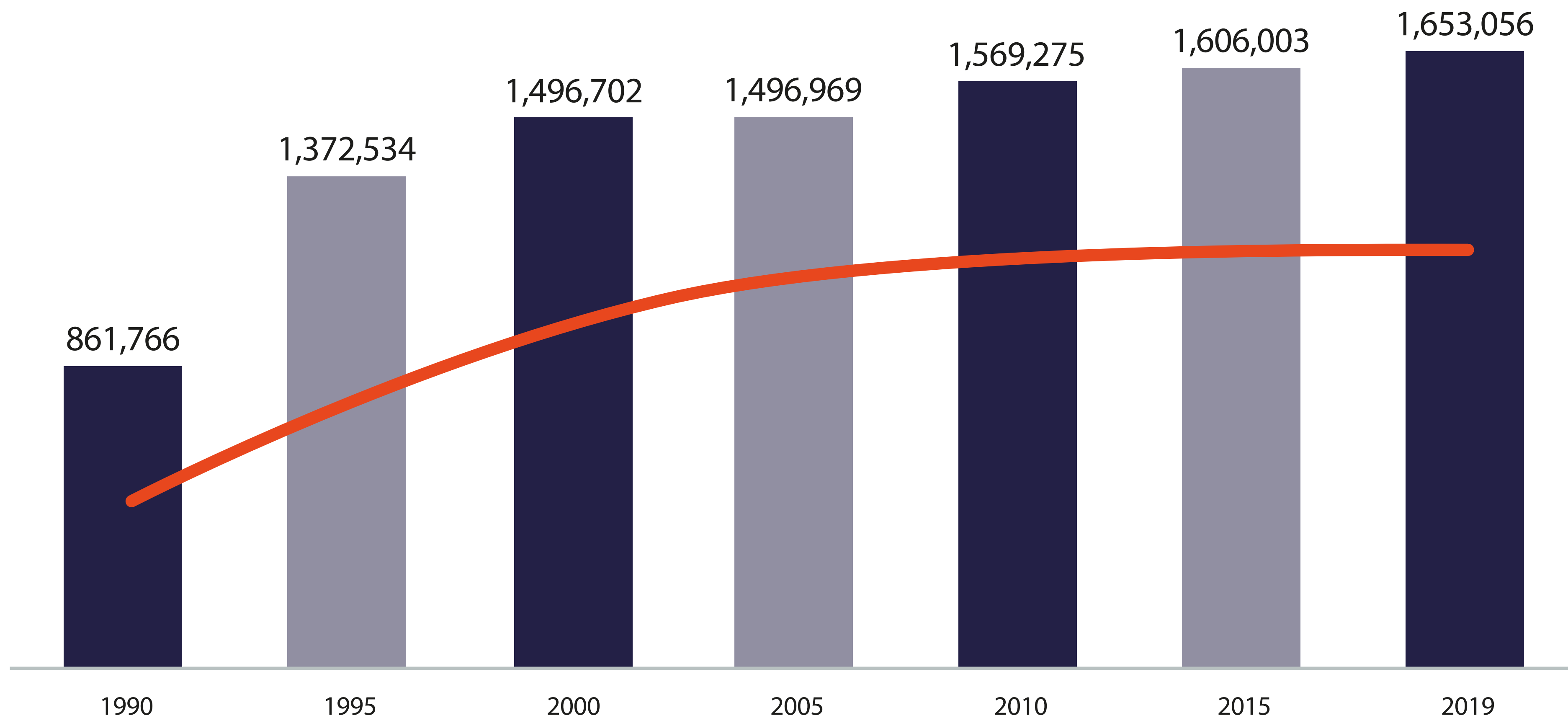
Around 170,000 migrants from Bosnia and Herzegovina live in North America, primarily in the USA (more than 135,000), and around 37,000 live in Australia.

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UN Migrant Stock By Origin And Destination, UN database

<https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp>

The number of people in the world who were born in Bosnia and Herzegovina



Source: UN Migrant Stock by Origin and Destination, UN database

2. The economic nature of migrations



During the war, between 1992 and 1995, Bosnia and Herzegovina suffered huge human and material losses. However, even after the war, due to constant political turmoil, there was no serious strategy for economic and social recovery or for the development of the country. Thus, in spite of considerable financial aid, Bosnia reached its 1991 GDP levels only 15 years after the war had ended, and is one of the five poorest countries in Europe.¹³

According to the 2015 Household Consumption Survey, over 170,000 households, or over 500,000 residents, in Bosnia and Herzegovina live below the relative poverty threshold.¹⁴ According to preliminary data from the Labour Force Survey conducted in 2019,¹⁵ the total unemployment rate was about 16%, with the highest rate among young people aged 15-24, at 33.8%.

The alarmingly high unemployment rate combined with low average wages, which are lower than the average consumer spending, does not encourage young people to become independent or to have a family, but rather to think about where else they could build their future. Even though it is clear that the young do not choose their destination country by unemployment rate, wage average or GDP, they usually choose the “beaten path”, comparing basic domestic macroeconomic indicators with their equivalents in developed countries, which confirms their low economic prospects. The basic assumption from this is that the most significant triggers for migration, especially among the young, are economic factors.

Research often cites the number one reason for leaving the country as the inability to find work.¹⁶ For the young, the most mobile part of the population, high unemployment rates represent one of the main push factors.

The unemployment rate of young people in Bosnia and Herzegovina is enormous, with almost 40% who have no chance of finding any sort of work after finishing their education. This huge unemployment rate, combined with low wages even if work is found, certainly does not offer the prospects one would expect. Although wages data offer a limited insight into the standard of living and the quality of life of the population, it should be pointed out that the average income in Bosnia and Herzegovina is around 6 times lower than in Germany and Austria, which are the most significant countries for emigration from this area, while it is 8 times lower than Norway, and 10 times lower than Switzerland.

When we look at GDP per capita as a measurement of standard of living in a country, it is several times higher in the emigration countries: 8 times higher in Germany, 9 times higher in Austria and Sweden, 13 in Norway, 14 in Switzerland.

13

Poverty and worker's poverty in Bosnia and Herzegovina, Social crisis in BiH – poverty and social inequality – what to do? Dr Zarko Papic, 2017

14

Household Consumption Survey, 2015, Statistics Office of BiH, 2017

http://www.bhas.ba/ankete/HBS_saopstenje_juli_HR_www.pdf

15

Labour Force Survey 2019, Statistics Office of BiH, 2019.

http://www.bhas.gov.ba/data/Publikacije/Saopstenja/2019/LAB_00_2019_Y1_0_BS.pdf

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Please see: “Youth Studies Southeast Europe 2018/2019”, FES

<https://www.fes.de/en/youth-studies>

Basic macroeconomic indicators for regional countries,
as well as for attractive destination countries for emigrants in 2018.

Countries emigrated from			
	GDP per capita	Unemployment rate of young people	Average income (net)
Bosnia and Herzegovina	4,891 €	38.8%	449 €
Federation of Bosnia and Herzegovina	4,758 €	41.0 %	455 €
Republika Srpska	5,119 €	35.2 %	438 €
Brcko District	4,997 €	30.7 %	-
Serbia	6,119 €	29.7 %	420 €
Bulgaria	7,891 €	12.7 %	508 €
Croatia	12,598 €	23.4 %	841 €
North Macedonia	5,168 €	45.4 %	395 €
Romania	10,395 €	16.2 %	579 €
Hungary	13,965 €	10.7 %	688 €
Montenegro	7,423 €	29.4 %	511 €
Albania	2,241 €	31.9 %	365 €

Source: National statistical institutes and Eurostat and IMF

Basic macroeconomic indicators for regional countries,
as well as for attractive destination countries for emigrants in 2018.

Countries emigrated to			
	GDP per capita	Unemployment rate of young people	Average income (net)
Slovenia	22,150 €	8.8 %	1,075 €
Germany	40,379 €	5.1 %	2,546 €
Austria	43,497 €	9.4 %	2,640 €
Sweden	46,050 €	16.8 %	2,724 €
Norway	65,275 €	9.7 %	3,754 €
Switzerland	71,875 €	7.9 %	4,502 €
USA	53,261 €	8.6 %	2,948 €
France	36,389 €	20.8 %	2,336 €
Italy	29,076 €	32.2 %	1,778 €

Source: National statistical institutes and Eurostat and IMF

The Study on Young People in Bosnia and Herzegovina 2018/2019,¹⁷ in which field research data was analyzed as a part of the wider, regional project “Young People in Southeast Europe 2018”, offers additional information which confirms the economic motivations of migrants.

According to this research, the unemployment rate of young people in Bosnia and Herzegovina is extremely high in all age and education categories, which makes them an extremely endangered group. Almost 64% of young people are unemployed and every fifth examinee had been looking for work for more than five years, whereas more than half of them had been trying for more than two years. The reasons for this high percentage are numerous, but the first and foremost reason is the underdeveloped economic system, which offers no opportunities for the employment of young people, except in the catering and trade services.

The young recognize that expertise, skills and competencies are not the key factors for hiring in the country, but rather connections and people you know in high positions, or simply luck.

To the question of whether they want to emigrate, more than half of the examinees gave affirmative answers: 14.7% had a very strong desire, 12.7% had a strong desire, and another 27.3% a moderate one. Around 40% of those who plan to leave the country have no intention of ever coming back, almost 20% plan to stay abroad longer than 20 years, and 10% plan to return in 5 to 10 years.

In this research, among the motives for emigration, economic factors were the most dominant, with 85% of examinees confirming this. Among these, an improvement in their standard of living is the most prominent motive with 48%, followed by possibilities of employment (21%) and higher wages (16%). As the most prominent destination country, every other citizen of Bosnia and Herzegovina states Germany, 12.5% choose Austria, 7% Switzerland, and around 4% choose Sweden and the USA.

Along with that research, another study on migration offers interesting data as well,¹⁸ encompassing the population of 18 years and older, with the main goal of analyzing the intentions of the Bosnian population regarding temporarily or permanently leaving the country. To a directly asked question, most examinees, 34%, stated that they would permanently leave the country, 24% would temporarily leave, while 22% had no intention of leaving. Even in the Brcko District half of those surveyed plan to emigrate permanently, with 36% in the Federation of Bosnia and Herzegovina, and 29% from the Republika Srpska.

The people who intend to leave the country permanently or temporarily were asked about the main reason for their intention to leave the country. Among individual reasons, general safety is a major reason (38%), 49% want to leave for various economic reasons, 35% for better paid jobs, and 14% in order to find any job.

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Study on young people in Bosnia and Herzegovina 2018/19, group of authors, Friedrich-Ebert-Stiftung, 2019.

<https://library.fes.de/pdf-files/bueros/sarajevo/15288.pdf>

18

Emigration study BOSNIA AND HERZEGOVINA, Editor Muris Čičić, Sarajevo, 2019.

<http://cis.unsa.ba/wp-content/uploads/2020/02/Zbornik-Migracije-s-cipom-za-stampu3.pdf>

3. Cost of youth emigration



The effects of population movements are different depending on the breadth of the picture we are looking at, and they can be both positive and negative on the home country.

When discussing the emigration of young people, and the so called “brain drain”, we first need to consider the amount invested by the whole society in their education. Those investments are lost with emigration, but there is also a loss in the fact that none of that invested capital is returned to the home country through income the emigrants generate because of their education and training.

In addition, the departure of a young, highly educated and highly qualified workforce decreases the country’s ability to develop, because the innovators who could create new products, markets and workplaces, and help increase the GDP, are leaving. There is also the loss of gross value added per potential employee, and a decrease in total consumption, which directly influences a decrease in GDP. Namely, people who leave the country do not create added value, but they also do not spend in the country, which negatively influences the need for products and services from the other participants in the economic exchange.

Finally, since they are not creating and not spending, they do not pay taxes in their home country, which is an additional form of loss for the country, which could use that money to further improve education, among other things.

Of course, there are positive effects of emigration, which are seen firstly through the direct inflow of money from abroad, through remittances. Their original purpose is to maintain budget balances and stability, but it would be of far greater benefit if these were invested in manufacturing instead of personal consumption and non-manufacturing investments (real estate purchases). There is also always a hope for the possibility that at some point people who left the country might return in order to invest in their country, bringing with them considerable experience and professional knowledge, as well as capital, which they would never had obtained had they stayed in their home country.



What are the total education costs for 2018 graduates?

3.1. Methodology of the calculation

In the attempt to answer this question, we started with the official financial statistical data for education provided by the Statistics Office of Bosnia and Herzegovina, the Federal Statistics Office and the Republic Statistics Office of the Republika Srpska. These statistics show public, private and internationally provided expenditures for education institutions, per education level, with data on the costs of higher education only available cumulatively for vocational schools, undergraduate studies and postgraduate studies. It is important to note that the available data on these expenditures from the competent institutions was for a shorter time period than necessary, which means that they had to be combined with the data from the statistics from the national education sector accounts.

Keeping in mind that our average graduate spends five years in their higher education studies, that means that if they graduated in 2018, they started their education in 2000/2001, so it was necessary to establish annual costs for education in each separate year in the given period. In order to estimate these amounts, we used data from the statistics of the national education sector accounts and the GDP production approach, according to the activity classification NACE Rev2, and analyzed the output and the intermediate consumption data in the Education sector.

The justification for this methodological approach is helped by the fact that this activity's output is mainly created by the state sectors and that as such it is, in accordance with international methodology, calculated by the input-cost method, meaning that it is obtained by the following formula: employee benefits + intermediate consumption + consumption of fixed assets + other production taxes (paid) – other production subventions (received) + business surplus. In addition, the other, smaller part of the output is created by households through payments to the educational services.

Taking into the account the components that are added to the calculation of the output by the Education sector, from the statistics of the national education sector accounts, it is clear that this variable is conceptually and in value very close to the amounts of total education output that are provided in the official education financial statistics. This fact was used to compensate for the missing data in the whole time series. By comparing the data for years where we have both sets of information, we confirmed that these values are very similar. Furthermore, with this comparison, we defined the correcting coefficients, which were then applied to get as close as possible to the concept of total

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Discounting represents
the process of reducing it to
the present value of money.

It is important to note that the statistics from the national education sector accounts estimate the so called non-realized economy, meaning that in the stated amounts there is also a part of the costs for the education activities that occur outside the regular flows (e.g. private lesson costs, translation costs, additional courses, etc.). In the next iteration, the education output is increased by the accompanying costs which are methodologically not included in the initial education output data but are directly or indirectly linked to education. This refers firstly to the costs incurred by student and pupil accommodation provided by the entity governments (cantons in the Federation of Bosnia and Herzegovina), which are connected to student and pupil loans and scholarships. The annual amounts are then discounted¹⁹, in order to equalize all the costs in the monitored 18-year period with the current currency value.

In parallel, the statistics institutions in charge provide data on the number of students for each year in the stated period, in order to calculate the amounts allocated per each observed unit. This dataset enabled us to estimate education costs per education level, and to answer the question: how much on average did primary, secondary and tertiary education cost the country per each individual who graduated in 2018?

It is also important to note that this is an average which should not have big deviations in primary and secondary education, whereas there are higher deviations in tertiary education, which is actually the synthetic cost indicator for education, because it includes part of each academic level.

Estimates that are more precise are also possible for individual faculties and colleges, specialist profiles and post-graduate levels, which can be a topic for future papers.

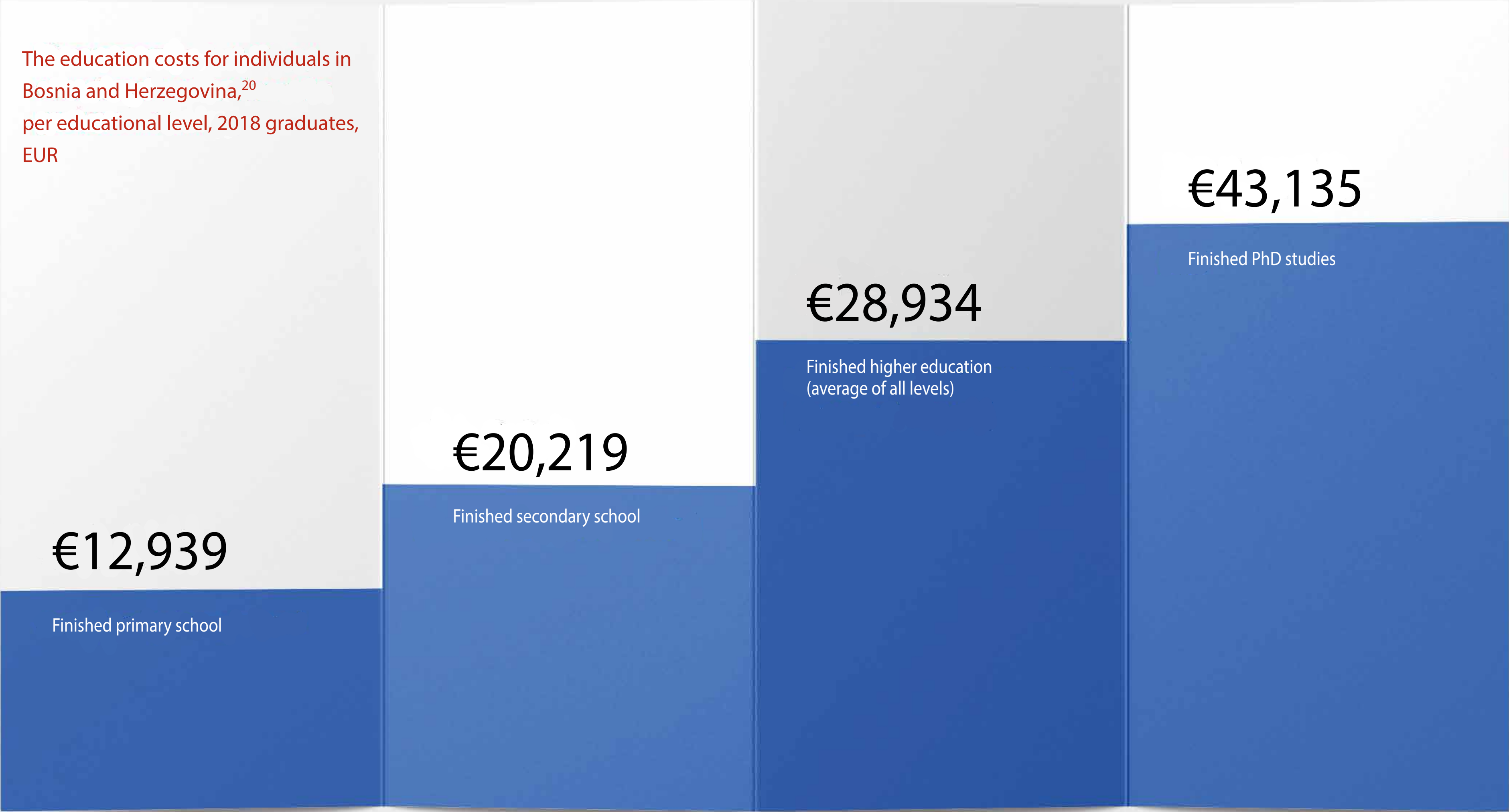
Results

The results gained from the application of the stated methodology show that the education of an individual in Bosnia and Herzegovina, through nine years of primary school, four years of secondary school, and higher education studies that lasted 5 years on average and finished in 2018, costs around 29,000 euros. The costs for a four year secondary school education that ended in 2018 (including primary as well) was around 20,000 euros, whereas the costs of a primary education were around 13,000 euros. The estimate of education costs for people with PhD degrees is not easily obtainable due to the unavailability of information in the necessary structures.

Based on the available information, we reach a rough approximate of around 43,000 euros of average costs for the total education of a PhD student. If we look at the entities, in the Republika Srpska, as well as the Federation of Bosnia and Herzegovina, the education costs on all levels are close to the country's average levels, whereas in the Brcko District, these costs are well above average. This is a direct consequence of the higher average wages in the education sector in the Brcko District, when compared to the other two entities.

The education costs for individuals in
Bosnia and Herzegovina,²⁰
per educational level, 2018 graduates,
EUR

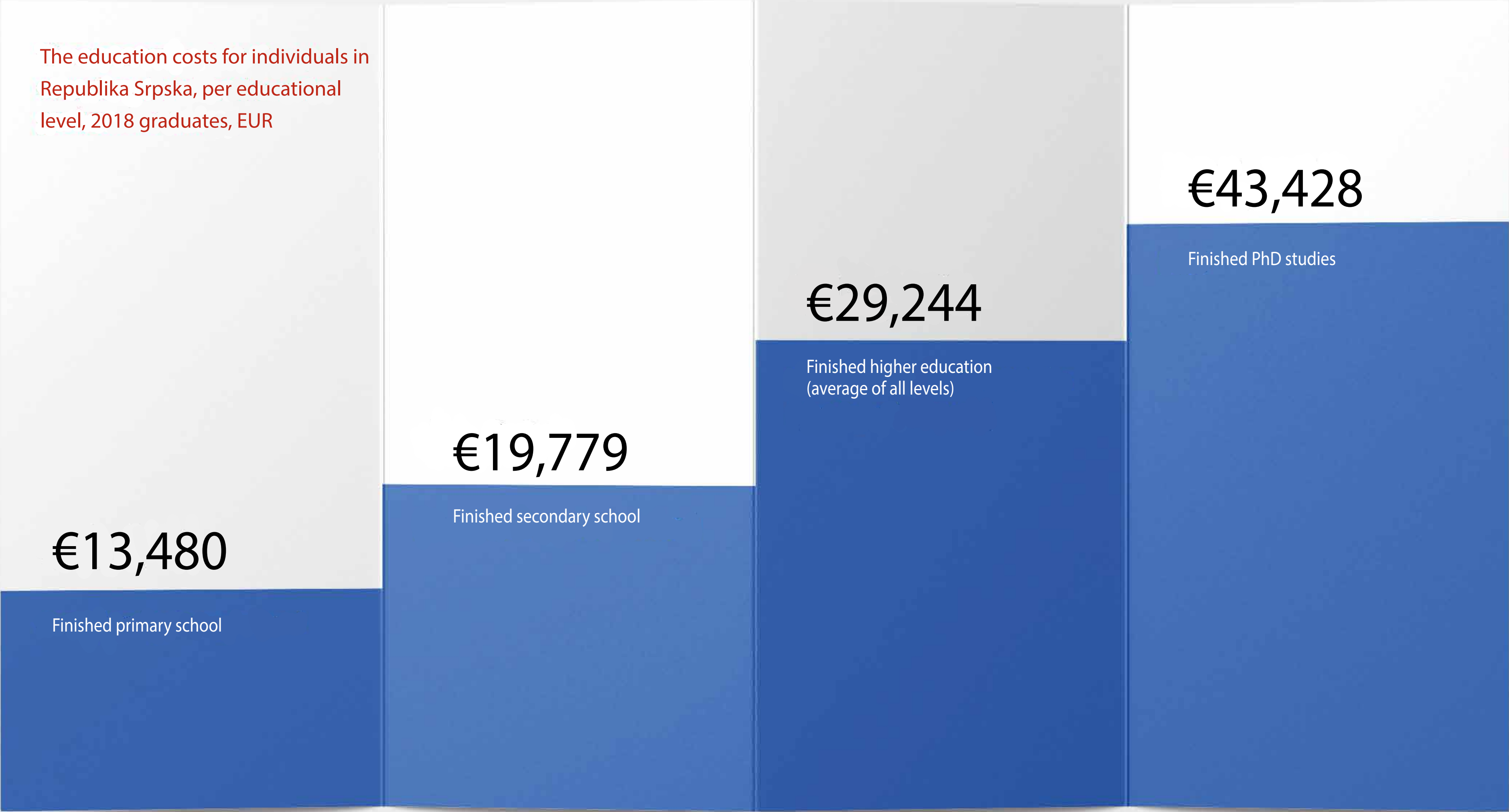
20
These are weighted averages



Source: Authors' calculation



Source: Authors' calculation



Source: Authors' calculation



Source: Authors' calculation

Even though using the average in the data analysis can cloud the big picture, or be interpreted in different ways, we need to point out that these amounts represent only the first step towards the quantification of negative migration balance effects. The group of people with higher education degrees is quite heterogeneous in terms of costs per individual faculty, length of studies, the degree level, follow up education costs etc. In that sense, the existence of data on the annual number of people who emigrated, their age and educational structure, their return plans and whether they are individuals or families, would significantly improve this calculation. On the other hand, from a macroeconomic standpoint, a more precise quantification than that currently obtained would not dramatically change the conclusions that this method has provided.²¹ In addition, by looking at the annual costs, we noticed that the data series is quite stable, which enables us to consider those who graduated before 2018.

To quantify the total effects, we used the OECD data, as this methodology only encompasses new migrants from a specific country, in an annual dynamics (flow) whereas the UN data observes the total number of migrants (stock) no matter when their migration period was.

As we stated, according to the OECD data, the average annual outflow of people from Bosnia and Herzegovina in the period between 2013 and 2017 was around 36,800 people. A detailed age and educational structure of this group does not exist or is not publicly available, not even in the entities. In the desire to obtain a cost estimate of this group, we first excluded the ages 0-5 and correct for people with incomplete primary or secondary school (the approach was that, for example, a child in the sixth grade and a child in the third grade are counted as those having finished primary school, and a child in the first grade and in the third grade in secondary school as those having finished secondary school, in terms of cost generating).

As a frame for this estimate, we used a modified age structure, with the assumption that the number of children in the emigration flow is lower by half than the total number in the population. In order to get indicative costs per entity, the distribution of the total emigrant number was made by the participation of citizens in each of the entities in the total population of Bosnia and Herzegovina.

As for the educational structure of the migration group, as a basis we used the educational structure of residents over 15 years of age according to the 2013 Census.

The approach wherein we decided to obtain individual costs enabled us to create different alternative scenarios. This will enable a very reliable overview of the education costs of the entire migrant group, once the detailed educational structure is available.

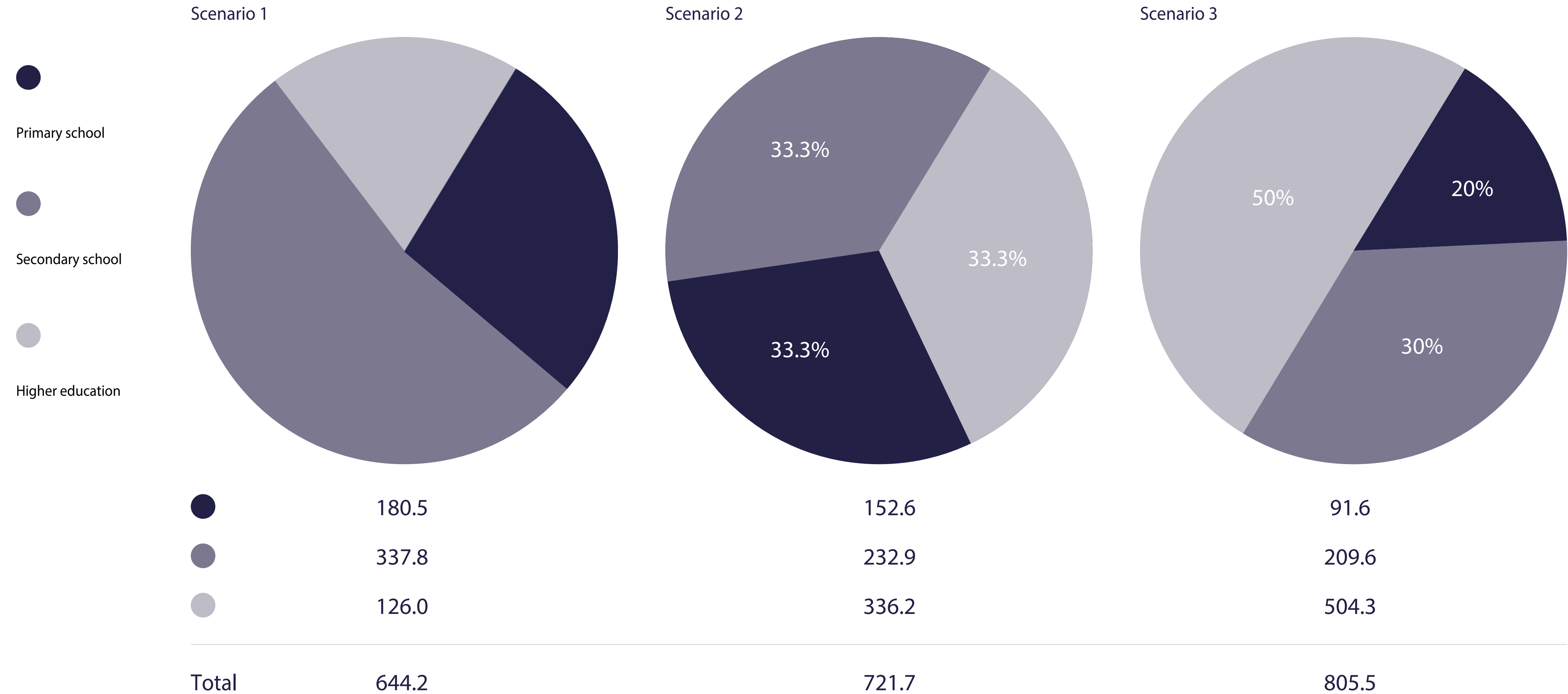
We also analyzed a second scenario, since in the last couple of years the departure trend for highly educated people has increased, so this stratum has the most significant weight, of 50%. Secondary school students in this scenario have a 30% weight, whereas migrants with primary school education have the lowest weight, of 20%. We also created Scenario 3, based on the assumption that all education levels have in total emigration contingent. Therefore, these two scenarios have the exact same assumed educational structure of the migrant group for each of the entities.

The results show that the total education costs of people who leave Bosnia and Herzegovina in a single year, depending on the educational structure, vary from 650 to a little over 800 million euros. For comparison's sake, the total export of transport services in 2018 was around 415 million euros, whereas the same amount for the chemical industry was around 355 million euros.

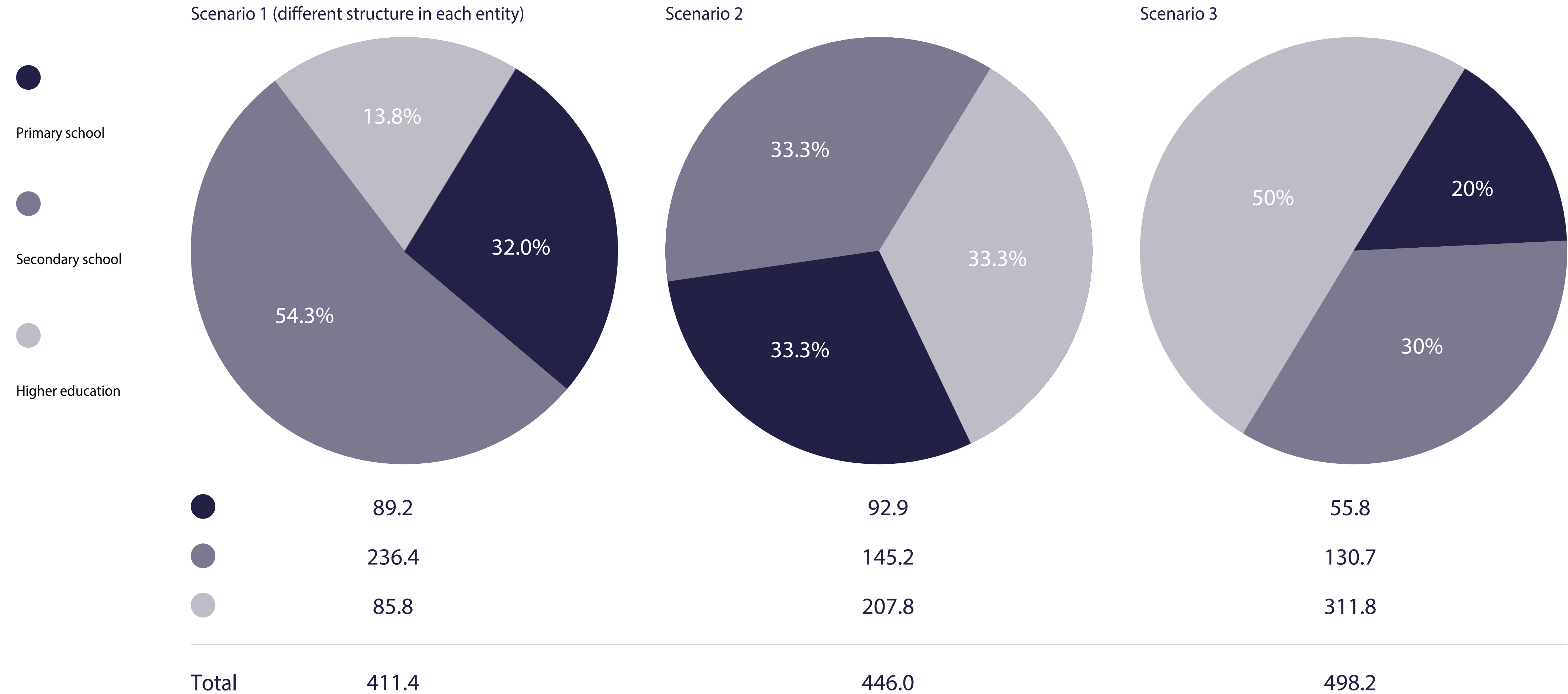
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More precise calculations would not change the average education costs much. The difference would appear in certain education profiles. However, from a macro-viewpoint, this cannot seriously affect the basic findings on the loss that BiH suffers on this account

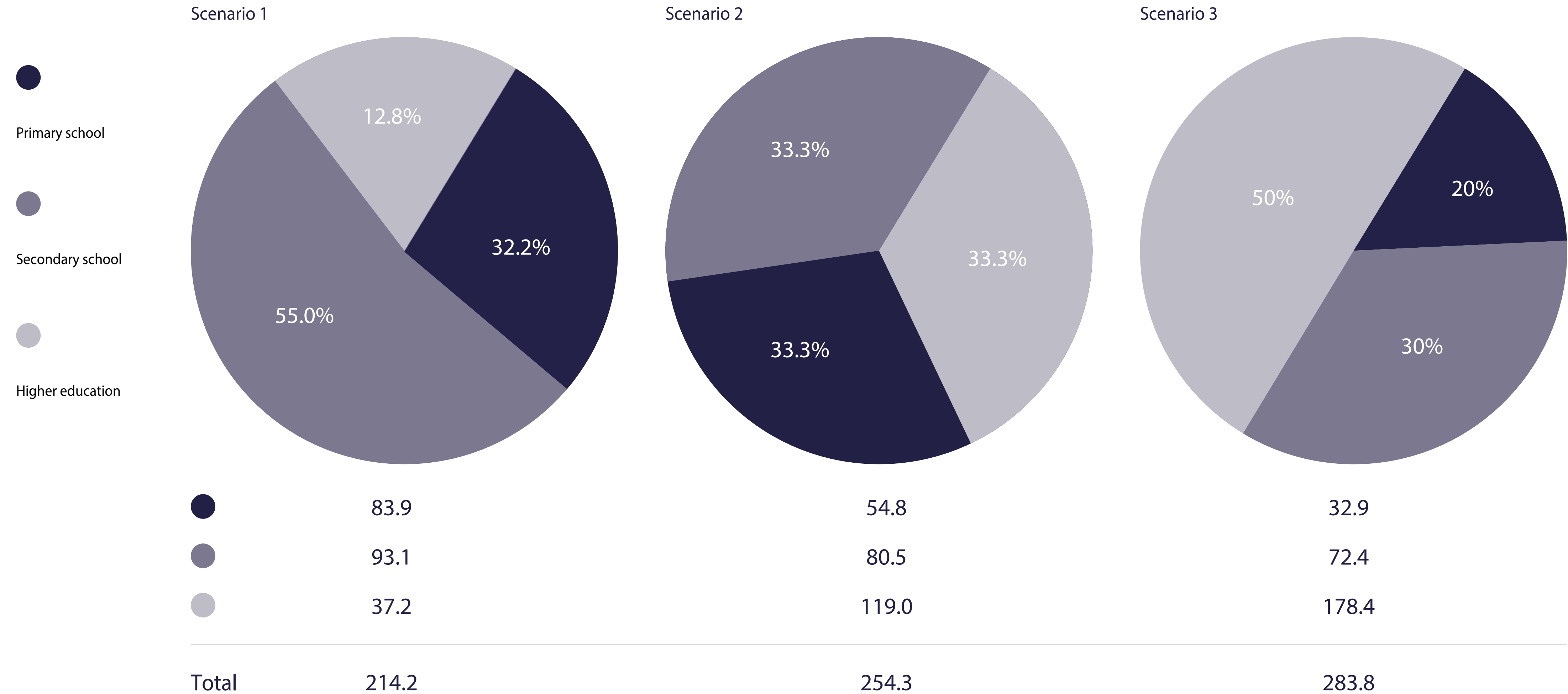
Education costs in Bosnia and Herzegovina
per education structure compared to
the total population outflow, EUR, millions



Education costs in the Federation of Bosnia and Herzegovina
per education structure compared to
the total population outflow, EUR, millions

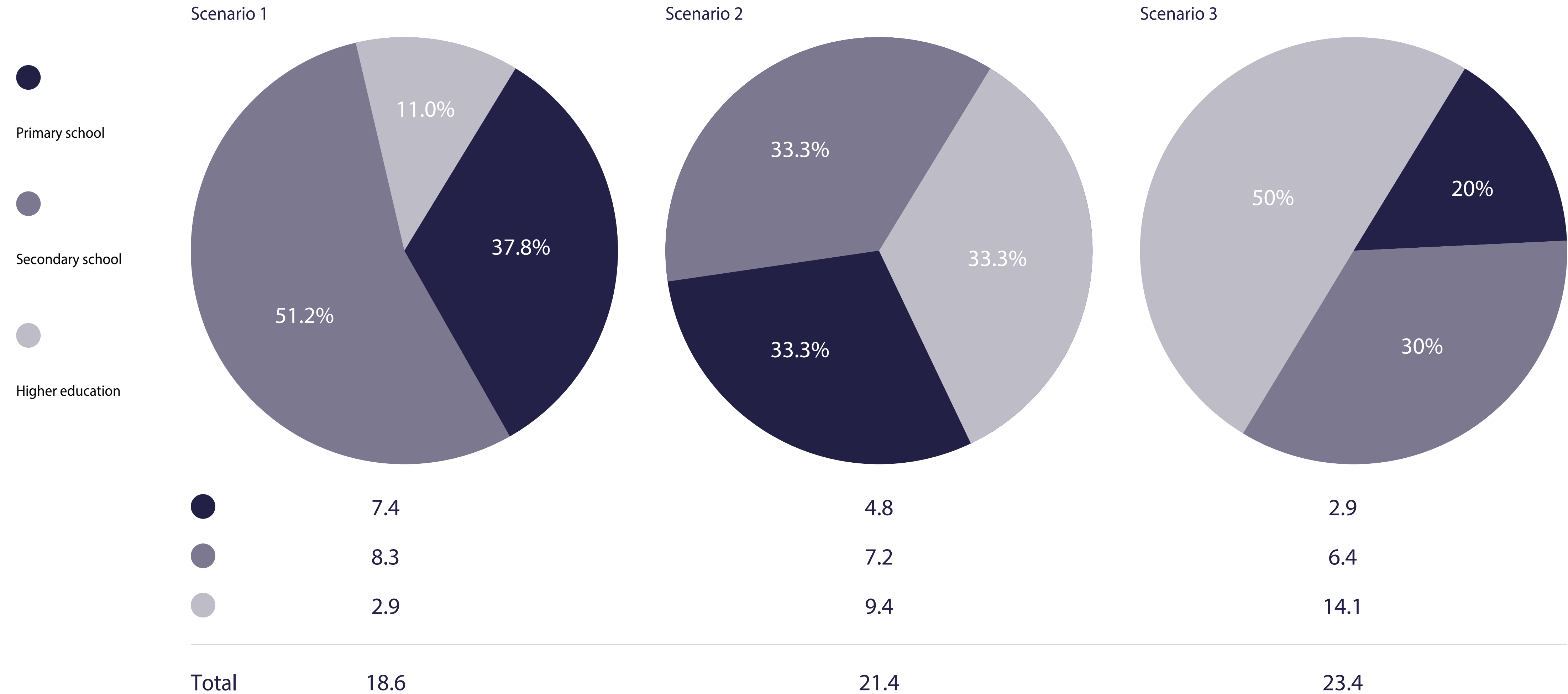


Education costs in the Republika Srpska
per education structure compared to
the total population outflow, EUR, millions



Source: Authors' calculation

Education costs in the Brcko District
per education structure compared to
the total population outflow, EUR, millions



If viewed by entity, these costs in the Federation of Bosnia and Herzegovina vary from around 410 million to almost 500 million euros, and in the Republika Srpska from around 215 to almost 285 million euros. In the Brcko District, the education costs of emigrating people are between 19 and 23 million euros. This data encompasses all people who leave the country, including seasonal workers, exchange students and people who are on work trainings and specialisations.

Keeping in mind the number of people who emigrated from Bosnia and Herzegovina and those who returned, the average annual net outflow of people from Bosnia and Herzegovina, according to OECD data, is about 18,200 people. The education costs in Bosnia and Herzegovina applied to this number of migrants are almost 320 to 400 million euros, or if we view by entity, in the Federation of Bosnia and Herzegovina from 203 to 246 million euros, in the Republika Srpska from 105 to 140 million euros, and in the Brcko District from 9 to almost 12 million euros.

Detailed structures and statistics of those who leave or return do not exist, neither on the country level, nor on the entity level. We cannot know if these are temporary workers, returning pensioners, or people temporarily moving for specializations, etc. This makes it considerably difficult to quantify the final effect of the migration flow. However, we believe that the effect of the total outflow should be seriously considered regardless of the current temporary nature of a contingent of these departures, as they are a step closer to permanent emigration, especially if we consider the policies and measures created by the developed countries.







Due to the lack of workforce, the developed countries think of various policies to attract working age people. According to 2017 reports, EU countries have created new measures, and made old measures easier, in order to enable the workers of third world countries to stay. The goal is to make up for the lack of a qualified workforce in certain countries. That is why Austria changed their Inhabitation and Residence Law in 2017, in order to make it easier for third world country workers to integrate into the society and access the job market.

Estonia created the “To work in Estonia” strategy, with the goal of attracting highly qualified workers. Germany has undertaken a strategy to additionally inform the migrants, as well as professional courses and trainings, all with the purpose of making it easier for them to access the legal job market and to find long term work. The Labor immigration law was also voted, which has been in effect from March 1st 2020 with the purpose of experts from non EU countries coming to Germany more easily. Italy has created the Memorandum of Understanding (MoU) with the Chambers of Commerce from third world countries and founded the National Employers Association, as well as other associations of corporations in order to simplify employment procedures for highly qualified people from these countries.

The EU countries create easier acceptance procedures for students of third world countries as well. The basic measure is that the students can easily find work during their studies, and also after finishing them. Furthermore, the administrative procedures have been simplified for coming to study in the EU, as well as for staying once students graduate. Sometimes EU countries target a specific third world country and create specific policies in order to attract young people and students from these countries. In order to attract students to simultaneously study and work, Austria has increased the number of work hours for students to 20 hours per week. In addition, once they graduate, foreign students are allowed to stay in Austria for a year longer in order to find work. The above mentioned measures encourage young and work capable people from third world countries to continue their education or to develop their careers in some of the EU countries.

When it comes to the international mobility of workers, Bosnia and Herzegovina has signed international bilateral treaties with Germany, Slovenia, Serbia and Qatar.²² Based on these treaties, many people looking for work, including graduates, have found work with the mediation of public employment services. However, a greater number of people, who are often qualified, have managed to find work abroad based on their own initiative, thus contributing to the high level of workforce emigration.

Total education costs in 2015 per student,
in euros

Total education costs in 2015 per student, in euros		
	Tertiary education	Secondary education
	1,851 €	1,499 €
	13,137 €	10,457 €
	13,333 €	10,900 €
	14,074 €	9,410 €
	17,011 €	9,100 €
	21,682 €	8,796 €

Source: Education Finance Statistics, Eurostat data, authors' calculation

The destination countries of the highly educated people undisputedly gain a lot simply by their arrival and their involvement in the economic and social systems. This “gain” is much greater than the “loss” which the home country experiences. In addition to alleviating workforce shortages, we also have to consider that the developed countries have far greater education costs. According to the Eurostat data for 2015, annual state and household expenditure for secondary level education was around 11 thousand euros per student in France and 10.5 thousand in Germany, whereas it was a little below 1.5 thousand euros in Bosnia and Herzegovina. The difference is more visible when we look at higher education studies, as Bosnia and Herzegovina spent around 1,851 euros per year per student, while the UK spent 12 times more, Sweden 9 times more, Germany and France almost 7 times more, etc.

The education costs represent the expenditures made during an extensive period in the past and accumulated through the process. However, the departure of a certain number of people abroad has a strong immediate direct and indirect effect on the country’s economy and is the generator of lost future gains, which is, conditionally speaking, the definition of opportunity costs. Even though this cost is related to individuals’ decisions, in our analysis we will look at it through the prism of the whole society. Leaving the recognition and description of migration flow effects on the aging population and the total social development to the demographers and sociologists, we are focusing on the identification of the magnitude of the influence on the economic component of social progress. With that intention, the number of people who on average leave Bosnia and Herzegovina per year is connected to GDP as a measure of the economic activity of a country.

What are the effects on economic activity?

3.2.

According to the production approach of measuring economic activity, GDP represents the total gross added value created by the resident institutional units during a year, increased by taxes and decreased by subsidies. The gross value added is actually the total value of created products and services decreased by intermediate consumption, or the operational, material and non-material costs that arose during the production processes. By using official data on the created gross value added and the total number of employees, we arrive at the production indicator – the gross value added per employee. This indicator varies significantly between industries and it is notable, for example, that in the financial and ICT industries, the indicator in question is high. A high value is expected due to the fact that mostly highly educated people work in these industries.

On the other hand, in industries that traditionally hire larger number of lower qualified workers, like catering, or have a heterogeneous structure of employees, like healthcare, we have a lower indicator. In the following table, the gross value added is shown per employee in each industry. Due to the specificity of the calculation in the agricultural industry, as well as the special methodology of measuring the industrial activity in the real-estate industry (because of the imputed rent concept) these two have been excluded from the observation.

GVA per employee in Bosnia and Herzegovina, in 2018,
in EUR



Source: Author's calculation based on the BiH Statistics Office data and the entities' offices

GVA per employee in Federation of Bosnia and Herzegovina, in 2018,
in EUR



Source: Author's calculation based on the BiH Statistics Office data and the entities' offices

GVA per employee in Republika Srpska, in 2018,
in EUR



Source: Author's calculation based on the BiH Statistics Office data and the entities' offices

GVA per employee in Brcko Distrikt, in 2018,
in EUR



Source: Author's calculation based on the BiH Statistics Office data and the entities' offices

23

We came to this amount by multiplying the average salary with the corrected number of people who emigrate (not all of working age, thus the correction of emigrated people), and then adjusting with the multiplier of personal consumption.

Concrete 2018 data shows that the average GDP per capita in Bosnia and Herzegovina was around 16,320 euros, with it being somewhat higher in the Federation of Bosnia and Herzegovina than in the other two entities. Nonetheless, we will use the total average annual outflow of people from Bosnia and Herzegovina, 36,776 people, and viewed by entity, the number based on the population older than 15. These contingents have been additionally corrected with the adjusted age structure, because not all the migrating people are work capable. The next assumption was that the reason for their departure, to find work in their profession, or any work, did not exist, because the economy dynamics created conditions for their employment, so they had jobs in 2018. By using the average amount per employee, we get the opportunity cost in terms of lost gross value added in the amount of 550 million euros in Bosnia and Herzegovina every year. If viewed by entity, this loss is highest in the Federation of Bosnia and Herzegovina, 356.5 million euros, in the Republika Srpska it is around 182 million euros, and around 11.6 million euros in the Brcko District. This represents a direct negative effect on the potential GDP level. When we talk about the approach to measuring the potential GDP, we need to keep in mind that this concept is used to measure a maximum possible economically sustainable level of economic activity, using all the production factors (work, capital, factor productivity). In that sense, this loss should not be equalized with the loss of actual GDP in 2018, as it was caused by the departure of people who mostly emigrated due to the inability to find adequate work and thus participate in the creation of added value.

In other words, even with the availability of the work factor, it is very possible that these people would not have participated in the process of creating GDP.

Keeping in mind that the departure of a great number of people also means a decrease in total consumption and in the aggregate demand, which will ultimately effect a contraction of services and production volumes, and with that, the gross value added and GDP, we come to the indirect influence of the migration flow on the economy. By using the data on the average annual net incomes and the number of working people who emigrated, and the elasticity coefficient between personal consumption and created new value, this indirect effect is estimated at 117.5 million euros in Bosnia and Herzegovina.²³ If we look at the entities, the loss based on this in the Federation of Bosnia and Herzegovina was 74.2 million euros, 40.5 million in the Republika Srpska, and close to 3 million euros in the Brcko District.

Other than the direct and indirect influence, macroeconomic analyses often mention so-called induced influence. As this refers to a large number of indirect reflections on the economy flows, a full quantification is almost impossible. For example, if this number of people were to stay in the country, that would increase the need for more doctors, professors, dentists, hairdressers, etc. who would create additional aggregate demand with their wages, which would then again provide impulse to production, turning this entire flow into a circulus vitiosus of effects that could not be entirely seen and valued. The departure of this number of people is an opportunity cost for the state as well, in terms of the lost future tax incomes.

This primarily includes income taxes, social security remittances, VAT and excise duty. By using the available data on the number of employees, total personal consumption, budget incomes and their relationship, we estimate this amount as 143.2 million euros.²⁴ Per entity, in the Federation of Bosnia and Herzegovina it was 88.4 million euros, 51.4 million in the Republika Srpska, and close to 3.4 million euros in the Brcko District.

As this money would have been turned into consumption in the next iteration (goods and services, capital investments, salary and pension growth) which would also stimulate economic activity, this influence is also grouped under the induced effects, and by using the graded fiscal multiplier, we estimate it as 43 million euros in Bosnia and Herzegovina, or if we look at the entities, the loss based on this in the Federation of Bosnia and Herzegovina was 26.5 million, 15.4 million in the Republika Srpska, and one million euros in the Brcko District.

The obtained results show that directly and indirectly, due to the inability to prevent the annual outflow of people by employing them, a yearly gross value added loss of 710 million euros is generated. If we look at the entities, the loss based on this in the Federation of Bosnia and Herzegovina was 457 million euros, 238 million in the Republika Srpska, and around 15 million euros in the Brcko District. To put it simply, every work capable person who emigrates from Bosnia and Herzegovina on average takes more than 21,000 euros of some future annual GDP that could have been generated had there been economic flows that would have enabled them to be productively employed.

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The mentioned amount was calculated by looking at the difference between the average gross and net pay, in order to get the income tax that the country would obtain. We also considered other fiscal incomes that would come from the fact that the net salary is used for consumption, VAT and excises firstly, as the largest budget incomes. After that, we corrected it all with the fiscal multiplier which is characteristic for small and open economies (the assumption is that the multulier is 0.3; please see IMF Working Paper: Fiscal Policy Multipliers in Small Countries by Ali Alich, Ippei Shibata and Kadir Tonyeri)

The migration effect on
economic activity in
Bosnia and Herzegovina²⁵
by person, in euros

25

Weighted averages are shown

Indirect effect
3,480 €

Direct effect
16,319 €

Total effect
21,069 €

Induced effect
1,270 €

Source: Authors' calculation

The migration effect on
economic activity in
Federation of Bosnia
and Herzegovina
by person, in euros



Source: Authors' calculation

The migration effect on
economic activity in
Republika Srpska
by person, in euros



Source: Authors' calculation

The migration effect on
economic activity in
Brcko District
by person, in euros



Source: Authors' calculation

The economic benefits of population migration

3.3.

Even though international migrations create political controversy, from the economic aspect, they are completely justified. According to the UN Secretary General, Antonio Guterres, migrations are a strong source of economic growth, dynamics and understanding that enable millions of people to seek new opportunities and bring benefit to the countries that they move to, as well as to the communities from which they come.

From the viewpoint of developed countries facing a population inflow, the benefit is obvious as the migrants contribute to the increase of income per capita, and the living standard. Highly qualified migrants bring multiple talents and expertise, whereas low qualified migrants do basic work for which there is a lack of workforce.

We have tried to quantify the negative economic effects through the education costs for people who have emigrated, as well as the opportunity costs in terms of the lost future gain, as well as the quantification of the influence on the GDP, but we have to look back at the positive influence of these processes too. The identification of possible positive effects is only the first step towards their fulfillment and materialization.

The most important direct benefit of migration flows are remittances. These are funds transferred by emigrants to their families and other close relatives in the country of origin. This inflow often improves the quality of life of the recipient, while considerably affecting the GDP of a country such as Bosnia and Herzegovina.

Considering its number of emigrants, in terms of remittance income as well as other personal transfers that affect GDP, Bosnia and Herzegovina is one of the top European countries, with an 8% contribution to the GDP. If we take a wider approach and consider other sources that come from abroad (other than the workers' remittances), like personal transfers, pension payments and incomes from temporary workers from Bosnia and Herzegovina who work abroad, the contribution to GDP goes over 14.5%.²⁶

There is no precise data on the funds that arrive through informal channels, but it is assumed that the majority of Bosnian remittances are informal. Workers' remittances from abroad are much greater than direct foreign investments into Bosnia and Herzegovina, which are around 400 million euros,²⁷ which means that the remittance income and other personal incomes from abroad are six times greater.

26

Authors' calculation based on the data from the International Monetary Fund database - Balance of Payments and International Investment Position Statistics

<https://data.imf.org/?sk=7A51304B-6426-40C0-83DD-CA473CA1FD52&slid=1542640458779>

27

Ibid

Remittances from abroad, EUR, millions












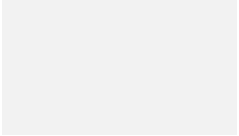
Source: Balance of Payments and International Investment Position Statistics, IMF database

Other transfers and incomes of working abroad, EUR, millions



Source: Balance of Payments and International Investment Position Statistics, IMF database

Structure of remittances
by country of origin, %

	Croatia	28.0 %		Slovenia	7.3 %
	Serbia	15.8 %		Switzerland	3.8 %
	Germany	10.5 %		Sweden	3.6 %
	Austria	9.6 %		Australia	2.5 %
	USA	8.6 %		Other countries	10.4 %

Source: Bilateral Remittance Matrix 2017, World Bank database

According to World Bank data, most of the remittances, around 28%, come from Croatia, next from Serbia with 16%, then Germany with around 10.5% and Austria with 9.6%. Other considerable sources are the USA and Slovenia.²⁸

This high income from abroad directly affects the decrease in deficit of current accounts. Thanks to this, part of the domestic industry is maintained, as it allows consumption to be above realistic potential and consumer power. Still, in order to quantify the influence of the remittances on domestic industry, it is necessary to view the structure of their allocation.

According to the Household Consumption Survey in 2015,²⁹ funds from abroad, according to personal statements, are received by every twentieth household in Bosnia and Herzegovina. On average, remittances make around a third of total incomes in those households, but they are mostly used in personal consumption and in raising living standards. These are mostly spent on food, clothes and cosmetics. This situation is the same in the two larger entities, whereas in the Brcko District, the money is saved as well.

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Bilateral Remittance Matrix 2017,
World Bank database

29

Household Consumption Survey,
BiH Statistics Office, 2018.

[http://bhas.gov.ba/data/Publikacije/
Bilteni/2018/CIS_01_2015_Y1_0_BS.pdf](http://bhas.gov.ba/data/Publikacije/Bilteni/2018/CIS_01_2015_Y1_0_BS.pdf)
p. 74

The allocation of transferred funds compels the conclusion that they have an important role in the national economy but cannot be considered as a generator of future gain and development. For this to happen, the investment component would need to be increased considerably. However, the country's interaction with the diaspora is largely not systematic or structured, in the sense of incentives that would help to better direct the investments in the direction of socio-economic development.

Diaspora investors need to be provided with incentives to invest, which means that an adequate business and political climate needs first to be established and then supported by providing business services and facilitating investment. We also increasingly see warnings that this financial source will soon start to drop due to changes in the nature of the migrations as nowadays whole families move, as well as due to the disappearance of the older generations that receive foreign remittances.

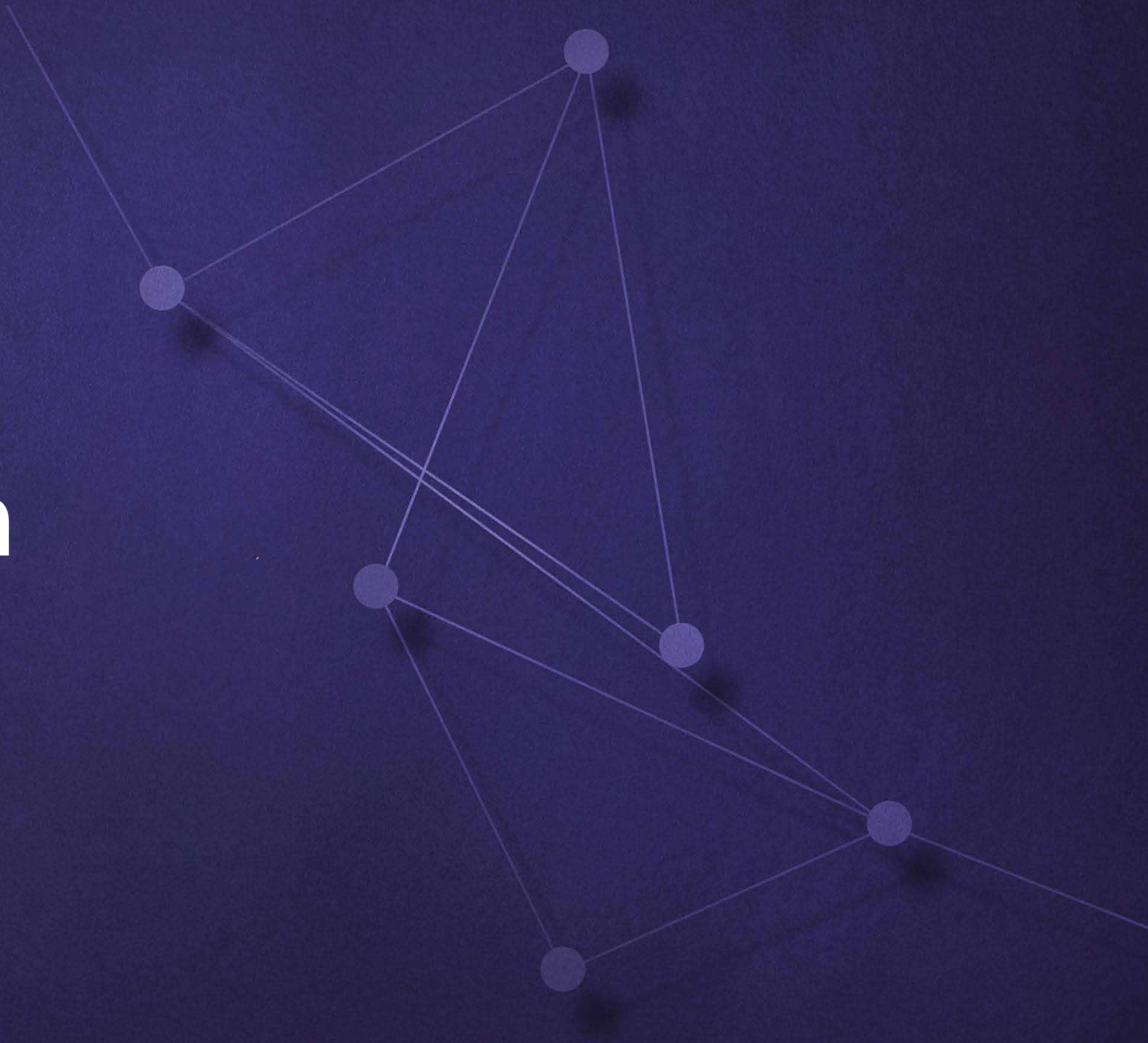
Other than remittances, another benefit that is quickly seen is the fact that migrations help decrease the number of unemployed people in the country, not only due to a number of them leaving the country, but also because some people leave employment, creating vacancies open to others.

The globalization and modernization of business has enabled the easier transfer of entire businesses in the services sector and created the so-called business transfer trend. This was especially visible in the years after the world economic crisis. Specifically, faced with the need to reduce operating costs, including labour costs, the leasing of premises and associated costs, many service companies have relocated to developing countries. It turns out that migrants working in these companies have been a major link to connecting them with the mother country.

A proactive role from the state in order to create affirmative conditions to intensify these activities would certainly significantly increase their importance in the foreseeable future for the growth and development of the national economy.

Knowledge and skills can also return to a country through different processes. In theory, we hear more and more about different concepts, such as transfer, circulation or knowledge overflow. The diaspora, and the returnees that stay connected and devoted to their home country, often use the entrepreneurial, managerial or organizational skills that they obtained abroad. Through different forms of transnational practice, they can simultaneously stay connected to their own, as well as other countries and people, thus creating networks that encourage the diffusion of advanced technologies, management methods, modern trade, services, etc. Even without returning permanently to the home country, by maintaining strong connections with those that remain, the diaspora can have a positive influence on behavioral norms. An informal inflow of adopted standards and values can create latent pressure on institutions and contribute to the advancement of the entire system.

4. Conclusion



This study has shown that Bosnia and Herzegovina shares the fate of the region regarding migration movements, and that it is facing an intensified process of emigration of young and highly educated people. The tradition of emigrating from this region and the ever strong connection of the diaspora with the home country make this intensification even easier.

If this trend continues, it will bring a series of socio-economic problems in the future, some of which are visible even now – pressures on pension funds, healthcare services, social care services, a decrease in potential GDP growth due to worsening human capital factors, disturbances in workforce markets, etc.

The purpose of this paper is to offer a foundation for an adequate view of the effects of the intensified emigration process. The intention is for the findings of this paper to also animate the public and initiate activities which would manage the migration flow to the extent possible. The gained results and the methodological approach are a good basis for future detailed research, which is why it is necessary to ensure detailed data on the number, age and educational structure of emigrants.

By analyzing and cross-referencing the available data in this research, we come to significant conclusions. The people who leave Bosnia and Herzegovina, are “taking away” significant value in invested funds in their education in addition to their knowledge and experience. By emigrating, these funds turn from investments into costs, as these skills and knowledge are materialized in other countries. These costs are multiplied by the fact that these people do not contribute to the economic activity in their own country, either as producers, or as consumers, so they directly influence a decrease in the potential of the economy of Bosnia and Herzegovina.

This lack of human capital in the not so distant future can greatly affect the economic fate of the country and the standard of living of the citizens of Bosnia and Herzegovina.

At the same time, the amount of money that emigrants have sent back to their families in Bosnia and Herzegovina for years, is much greater than direct foreign investments. When you add other personal incomes that come from abroad, such as foreign pensions, temporary work incomes and other sources, this amount reaches almost 2.5 billion euros. This certainly affects the living standard of the population.

However, their contribution to economic growth depends on the type of consumption that they are financing, and in Bosnia and Herzegovina it is mostly used for personal consumption, such as people’s basic needs, so it does not influence the total economic growth as it could if the investment component were dominant. In addition, the positive effects of foreign currency inflow in the form of remittances has a tendency to drop, considering the fact that the connections between the diaspora and the home country are weakening because of the more frequent trend of the emigration of whole families.

Since the intensified mobility of the workforce represents a global trend, it is clear that this process cannot be stopped or overturned, but it can be mitigated and used to a certain degree. The multidimensionality of the migration phenomenon implies a series of positive factors which, if they are to have an effect, must be ensured by active measures of the state. The strengthening of bonds with the diaspora through new technologies and communication channels, the creation of interactive platforms for the exchange of experience, ideas and business propositions, the stimulation of investments in the economy of the home country, the transfer of knowledge and technologies, all need to be the primary goals in the agenda of the agencies concerned with the migration flow.

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