

### 3. Immigrant integration in the EU: Diverse experiences across host countries and regions, public attitudes toward immigrants, and policy interventions for labor market integration

Most EU member states are now facing the challenge of integrating immigrants into their labor markets and into their societies. This challenge is compounded by the diversity of immigrants' backgrounds and migration patterns – some have come to work, others as family members, yet others as asylum seekers or students; some temporarily, others permanently (see chapter 1). The integration of migrants into the labor market (sections 3.1 and 3.3) becomes crucial in avoiding the risk that migrants use the welfare state more than the local population. On the other hand, if migrants are employed, local workers may fear competition, which may affect popular attitudes toward migrants and immigration (section 3.2).

Research into the effects of migration on the labor market and on the welfare state is very rich. Without detracting from the diversity of results in the literature, a fair summary is that the economic effects on the country of destination are, on aggregate, small. Whether they are positive or negative depends on the socioeconomic characteristics of the new immigrants and a whole host of country-specific factors. By contrast, migrants usually benefit economically from migration if they move from a low-wage to a high-wage country. Since migrants often send remittances to family members in their countries of origin, the latter also, in general, benefit.

These economic effects of migration in sending and in destination countries have been widely discussed and are

well known. Therefore, we do not further address them in this Assessment Report. Interestingly, also, most individuals who are skeptical about immigration or immigrants are not primarily concerned about any negative economic impact that they themselves might experience. Rather, many skeptics are concerned about how their 'peers' might be affected, while their collective identity tends to be ethnically based (rather than civic) and their perspective national (rather than European).

This chapter focuses on immigrants' economic and social integration, which serves as a broad measure of immigration success. Section 3.1 provides an overview of the integration outcomes of immigrants across EU countries and highlights the variety of immigrant experiences in Europe. Section 3.2 explores the determinants of popular attitudes toward immigrants and immigration. The attitudes of local citizens as voters not only determine the immigration policies of host countries. The way the resident population receives immigrants also affects how successfully the latter integrate into the labor market and into social life. Finally, section 3.3 focuses on refugees, who face particularly difficult integration challenges. We discuss the determinants of the economic integration of forced migrants and provide evidence-based recommendations for policy interventions to facilitate labor market entry and, hence, improve the economic and social well-being of refugees as well as the attitudes of the local population toward them.

# 3.1 Immigrant integration in the EU: Employment, income, and education

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In economic research, ‘integration’ is usually understood as ‘convergence’ in the outcomes of immigrants and those of the host population in various social and economic dimensions, such as labor market participation, earnings, educational attainment, health, and demographic behavior. This section focuses on the economic and education dimensions of integration. Economic integration represents a fundamental step for migrants as it enables them to act in their adopted society. Although economic integration does not guarantee social integration, it definitely facilitates it. Education is another crucial dimension. It has long been considered a way of social advancement for all and in particular for immigrant families. Many migrants have a low level of skills and lack accumulated wealth and longstanding social networks. For them education represents a unique opportunity for social mobility for the next generation (Di Bartolomeo 2011). The education and economic dimensions are also intrinsically interrelated. Better educated migrants are more productive and thus less likely to be net receivers of state welfare, and in turn, will be better accepted by receiving societies. Moreover, success in the education system would allow their children to obtain higher paying, higher status jobs with a contemporaneous rise in the family’s social standing.

Within the economic dimension, the focus is on employment and income dynamics to approach both its quantitative and qualitative aspects. In other words, this section analyses if and how migrants do integrate into host labor markets. As far as education is concerned, the analysis focuses on education levels and compares first- and second-generation migrants’ performances. Methodologically, immigrants are always compared with the local population (the majority group).

In this section, we use the migrant definition that refers to someone who has been born abroad. An alternative definition would rely on people’s foreign citizenship. However, this might give us a distorted picture because the challenges of economic and social integration do not depend on whether an immigrant becomes a naturalized citizen of their host country. Rules and practices for acquiring citizenship differ across EU member states, too. The definition based on citizenship also mixes up first- and second-generation immigrants, both of whom may be foreign citizens, whereas the latter would be born in the host country and not be immigrants according to our country-of-birth definition. This section always considers the performances of two migrant groups, namely people born in other EU countries (EU migrants) and in non-EU countries (third-country nationals).

Concerning their demographic characteristics, the population aged 25–54 has been selected to minimize the bias

due to i) migration related to reasons such as study or retirement, which varies extensively across destination countries; and ii) differences in age composition between the host population and migrants. In so doing, the two groups are more homogeneous for the sake of international comparison. Data are taken from the 2014 EU Labor Force Survey micro dataset.

An interesting contribution is the attempt to analyze integration between countries and between regions.

## Integration in the labor market: Employment

The labor market outcomes of migrants vary from European country to country for several reasons:<sup>1</sup>

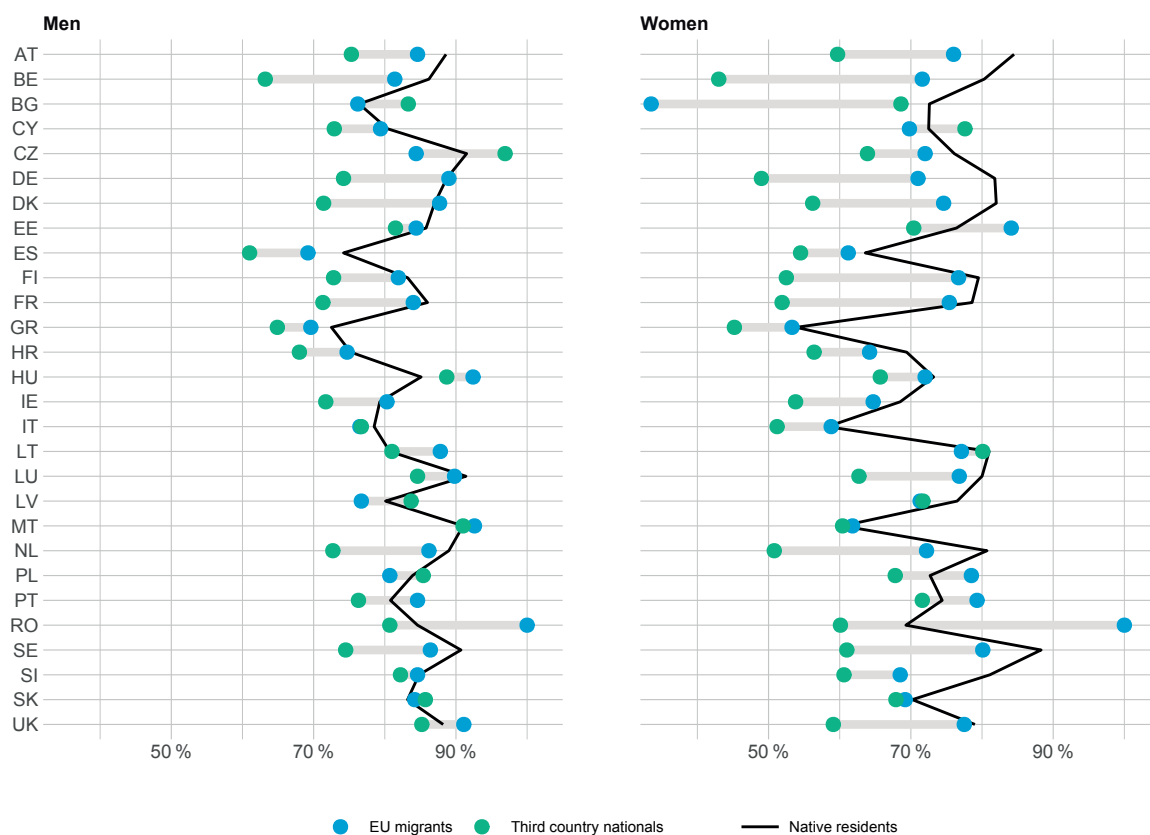
- First, the functioning of the labor market and the economic situation of host countries, which condition the probability of finding a job, are quite different. For instance, the unemployment rate ranged between 4 percent in Germany and 22 percent in Spain in 2014. In addition, the presence of high unemployment benefits (as in Sweden) discourages a rapid entrance into the labor market.
- The selectivity of immigration policies conditions labor market outcomes. Typically, the higher the education level, the better is the level of economic integration.
- Last, destination countries also differ in integration policies and in terms of the amount of funds involved in the integration process, which condition the efficiency of any intervention.

On average, migrants have less access to employment opportunities than local people: the average employment rates equal 67.6 and 78.8 percent respectively. But, while for EU migrants the average rate (75 percent) is very close to that of the local population, the average employment rate of third-country nationals is much lower (64 percent).

The employment outcomes of third-country nationals, however, do show a high degree of heterogeneity between countries (Figure 3.1). Specifically, in our data, at least three main ‘integration groups’ seem to coexist: 1) the ‘southern EU countries’, composed of recent immigration countries (Greece, Portugal, Italy, and Spain); 2) the ‘north-western EU countries’, which include longstanding EU immigration countries (Austria, Belgium, Luxembourg, the Netherlands, Germany, France, and the United Kingdom) and Scandinavian countries (Sweden, Finland, and Denmark); and 3) the ‘new EU accession countries’ (Bulgaria, Cyprus, Croatia, Czech Republic, Estonia, Latvia, Lithuania, Hungary, Malta, Romania, Poland,

<sup>1</sup> See Venturini (2017).

**Figure 3.1 Employment rates of local residents and (EU and third-country) migrants by EU country of residence and gender, 2014**



Source: Own calculations based on EU-LFS Eurostat Labor Force Survey 2014 data.

Slovenia, and Slovakia). In the first group, differentials between third-country nationals and local residents are not so pronounced even if at a lower absolute level. By contrast, longstanding countries of immigration and Scandinavian countries have very large differences. The new EU accession countries present minimal employment-rate differences between third-country nationals and local people.

The picture does not change a lot when we disaggregate the employment rate differences by gender. However, a few points are worth noting in this regard:

- Female employment differentials are much higher than male ones. This is true especially for some longstanding and Scandinavian countries of immigration – Belgium, Germany, the Netherlands, Denmark, and Sweden – where the gaps between third-country nationals and local women’s employment rates exceed 25 percentage points. This result may reflect the fact that women have reached northern and western Europe mainly through family reunification and asylum-seeking schemes rather than as economic migrants. The low employment of women calls for more gender-oriented policy actions (Barslund et al., 2017) that take into account the channels of entrance to foster their labor market integration.
- In the majority of new EU accession countries (Bulgaria, Czech Republic, Hungary, Latvia, Poland, and Slovakia), men coming from third countries have better employ-

ment chances compared with both the local population and EU migrants. These countries have attracted a few highly skilled third-country nationals whose ability to integrate into the labor market is higher.

- These reported differences between the host societies and immigrants reflect in part the fact that immigrants are, on average, less well educated and younger than local residents. When we control for age and education level, employment differences between the local residents and immigrants persist almost everywhere, but they are smaller. This result seems to support the idea that national labor market structures and the selectivity of immigration policies condition large parts of the observed gaps. Southern European states, which present a strong degree of labor market segmentation in terms of origin and gender, have attracted mainly economic migrants in ‘migrant-specific’ sectors, such as agriculture, tourism, and the construction industry for men and the elderly care sector for women (Strom et al. 2013; De la Rica et al. 2013; Simon et al. 2014). Meanwhile, longstanding immigration and Scandinavian countries have not selected immigrants for labor market needs, favoring instead family migration and asylum seeker inflows, respectively. An additional effect on the employment integration of migrants is represented by the very generous welfare state regimes applied by Scandinavian countries, which slow down migrant participation in the labor market (Nordin and Roth 2009).

The U.K. deserves special attention here. There, employment differences are extremely low, except for female third-country nationals whose employment rate differential with local women equals around -20 percentage points. Yet, once controlled for gender, age, and education, the gap widens, indicating that although migrants have better 'structural' characteristics, they face difficulties in finding proper employment. As a result, while the U.K. has succeeded in selecting 'the best and the brightest', it has failed in fully integrating them into the labor market.

**Integration in the labor market: Income**

In terms of earnings, third-country nationals are dramatically more likely to be concentrated in the bottom decile of the income distribution than local residents.<sup>2</sup> Indeed, very few migrants are found in the top income decile distribution compared with the host population. EU migrants are again in a better position here (Figure 3.2).

Many differences emerge when EU statistics are compared, revealing a high degree of heterogeneity by migrant origin. Large discrepancies are especially found in two southern European countries – Greece and Italy – where

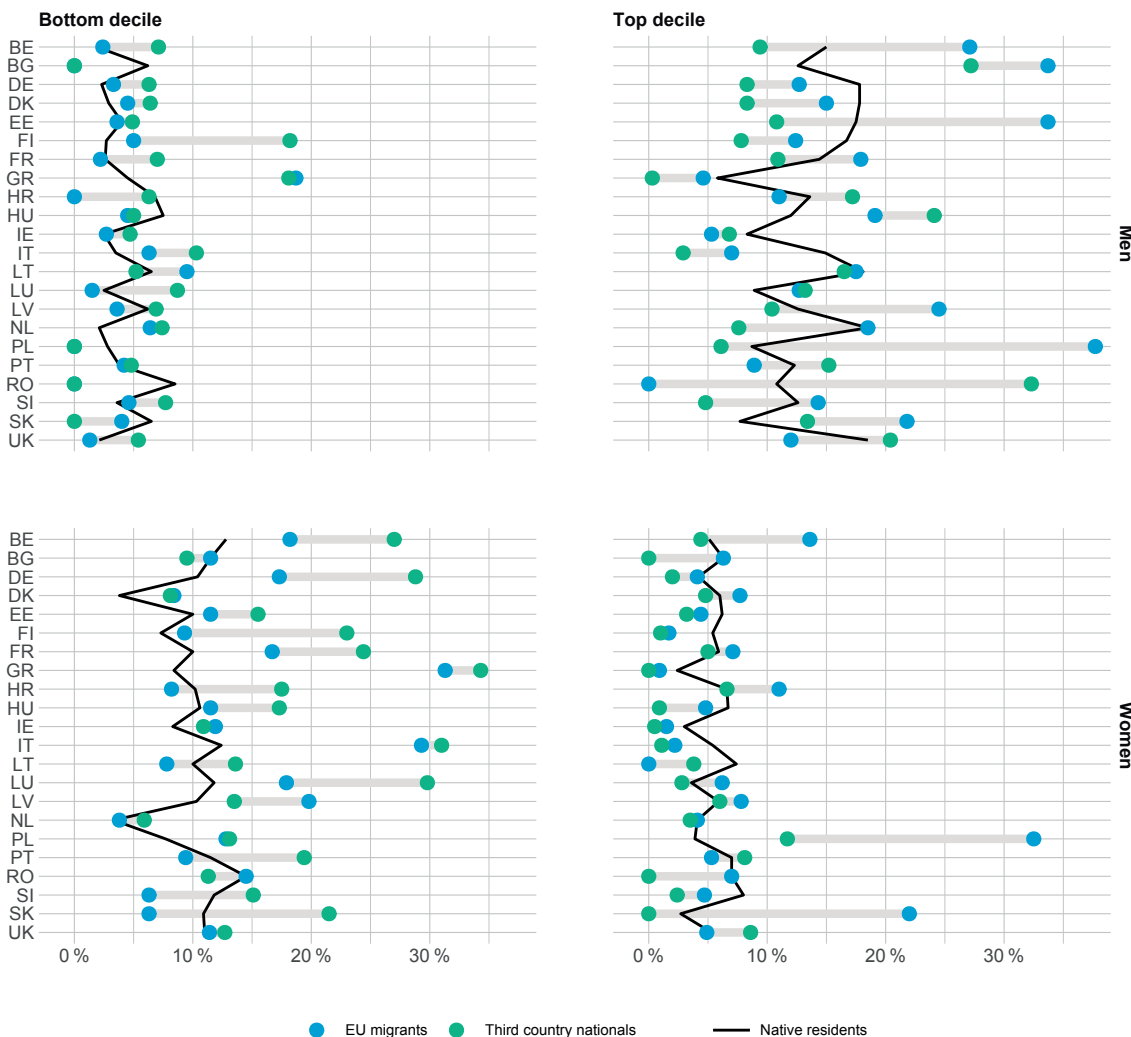
the proportion of third-country nationals (male and female) in the bottom income decile is higher when compared with their local counterparts. In longstanding countries of immigration, the situation is more varied, with Germany and Finland patterned like the southern European group. Again, third-country nationals are highly integrated in the majority of 'new EU accession countries' – Bulgaria, Croatia, Hungary, Romania, and Slovakia. This would suggest that this group is mainly composed of highly skilled individuals with relatively good integration outcomes.

In terms of gender, in almost all groups of countries women's presence in the bottom income decile is significantly higher than that of their local counterparts and even greater than migrant men.

When controlling for age and education, the situation does not vary significantly. In most cases, differences tend to be reduced but not to disappear. This suggests that differences in composition do not play a major role in explaining income probability gaps. Other determinants, such as discrimination and a low level of upward professional mobility, may in part explain why differentials in income persist over time.

<sup>2</sup>Income is defined as monthly (take home) pay from main job.

**Figure 3.2 Probability of being in the tenth (top) and the first (bottom) income decile local residents vs. (EU and third-country) migrants, by gender, 2014**



Source: Own calculations based on EU-LFS Eurostat Labor Force Survey 2014 data.

### Education outcomes

When comparing educational attainment levels between migrant generations and local people (Figure 3.3), we observe large heterogeneous outcomes by country and by gender. In recent European countries of immigration, second-generation migrants are significantly better educated than their parents. This partially reflects the fact that in these countries – and especially in Italy and Portugal – the education level of first-generation migrants is particularly low. In addition, second-generation migrants are typically better off than their parents due to the higher level of language proficiency and the country-specific skills they have acquired as they have grown up and attained education in the country of destination. By contrast, Scandinavian countries are characterized by very high levels of educational attainment of both groups (first- and second-generation migrants), with no significant discrepancies compared with the host population.

In both longstanding immigration countries and new EU accession countries, the picture is extremely heterogeneous and there are no clear trends. The U.K. is again a case in point. Here, driven by labor market demand and a selective immigration policy, the education level of migrants is actually higher than that of the local population, regardless of gender or generation. Concerning gender differences, there is a clear pattern of higher invest-

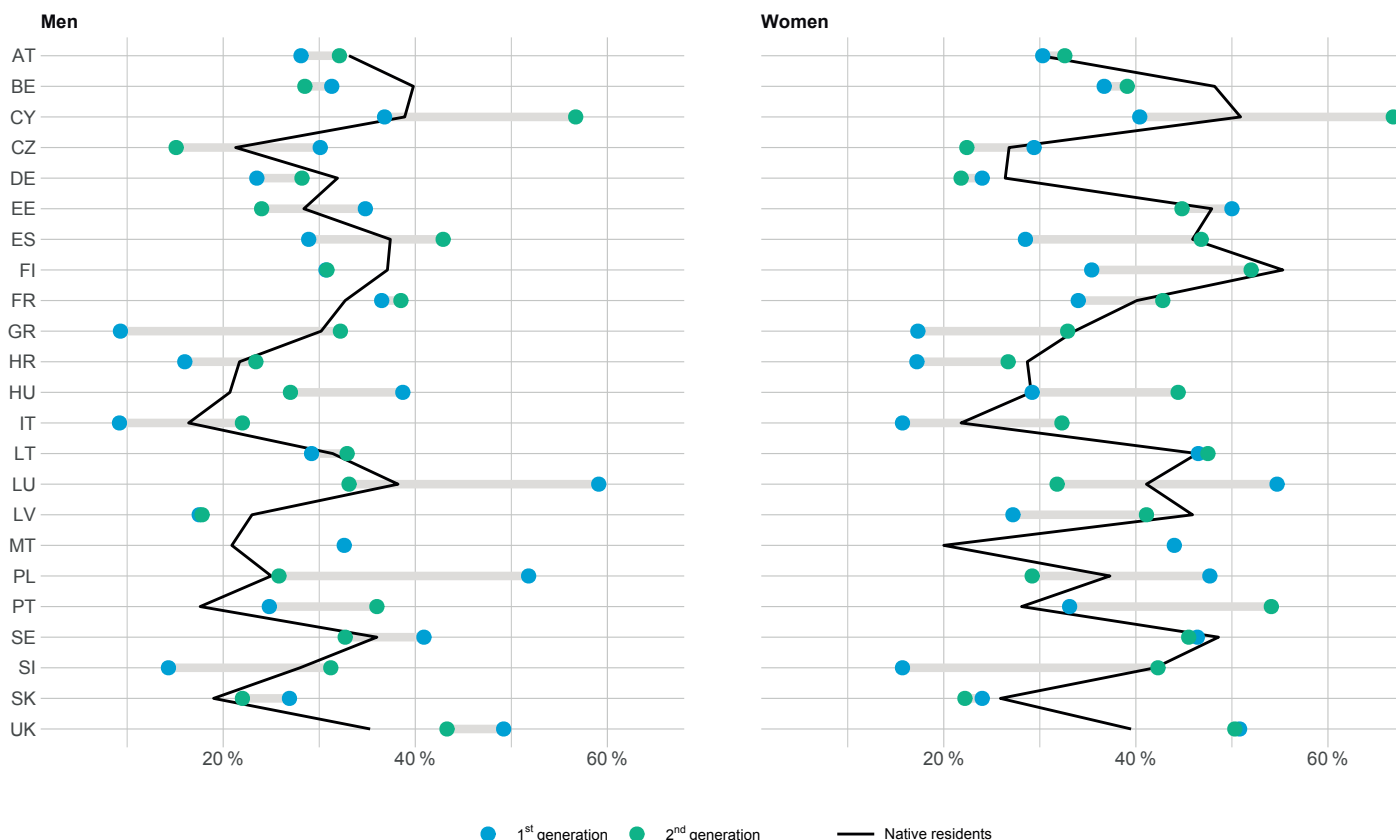
ment in education for second-generation women over men. Unfortunately, the data do not allow us to distinguish between EU migrants and third-country nationals.

### Employment outcomes: A regional analysis

Migrants' integration has a strong regional dimension as integration takes place in practice at lower levels than national ones. The regions are indeed, today, crucial nodes for the shaping of immigrant integration policies everywhere in Europe. Here, we conduct a first analysis of integration outcomes and migrants' incidence at a regional level.

Overall, data confirm a high level of heterogeneity within states. Systematically, the higher values of the regional dispersion of employment rates are found for both types of migrants compared with local people (Table 3.1). In addition, with some exceptions, third-country nationals' outcomes show a higher degree of variability within states compared with those for EU migrants. Also, income dispersion rates show a high degree of regional variation, although in some countries, greater variation is found for EU migrants than for third-country nationals. This pattern is linked to their different skill profiles, which is more homogenous for third-country nationals than for EU migrants.

**Figure 3.3** Share (%) of the tertiary educated by EU country of residence first-generation migrants, second-generation migrants, and the host population, by gender, 2014



Source: Own elaboration based on EU-LFS Eurostat Labor Force Survey data for 2014 (ad hoc module).

**Table 3.1 Regional dispersion rates\***

of (a) employment rates and (b) the probability of being in the bottom (first) income decile of the local residents, EU migrants, and third-country nationals' by country of residence, 2014

EU country of residence	Employment rate (a)			Probability of being in the bottom income decile (b)		
	Local people	EU migrants	Third-country nationals	Local people	EU migrants	Third-country nationals
AT	2.3	3.7	9.4	n.a.	n.a.	n.a.
BE	7.5	6.1	14.3	27.5	24.3	20.7
DK	1.2	1.7	8.2	21.6	28.8	33.7
ES	10.6	12.7	18.6	n.a.	n.a.	n.a.
FR	10.0	14.7	22.5	43.2	85.9	53.7
GR	3.7	17.1	16.9	n.a.	n.a.	n.a.
HR	2.2	9.7	7.3	43.7	57.2	31.6
HU	5.2	5.5	15.0	n.a.	n.a.	n.a.
IE	2.2	5.7	9.2	11.3	4.9	8.2
PT	4.5	16.9	6.2	35.1	82.1	31.7
SE	1.8	8.9	7.0	n.a.	n.a.	n.a.
SI	3.7	0.5	5.3	0.2	84.7	26.7
SK	6.4	34.5	13.4	n.a.	n.a.	n.a.

Sources: Own elaboration based on EU LFS data for 2014. Note: The abbreviation n.a. stands for 'not available'. \* Dispersion rates represent the coefficient of variations (ratio of the standard deviation to the mean)\*100 computed at a regional (NUTS2) level within states.

This regional variation is certainly also associated with the strong role adopted by regional governance over time. Specifically, the fact that integration policies are normally implemented and designed at the regional and local levels has two major consequences. On the one hand, integration measures have created differences in opportunities and incentives among regions, large and small cities, and urban and rural zones. On the other hand, the engagement of actors of this kind has resulted in many more ad hoc interventions in accordance with local needs and priorities. In so doing, local actors are able to address specific territorial needs and counterbalance the shortcomings of national and supranational policies.

When looking at the link between integration outcomes and migrant presence in a given territory, interesting findings emerge. In particular, an opposite trend is observed between EU migrants and third-country nationals. In terms of access to the labor market, high employment rates are associated with high shares of EU migrants in the total population. Conversely, the higher the share of employed third-country nationals, the lower is their relative presence by region (Figure 3.4). Concerning the correlation between the probability of being in the bottom income decile and migrant shares, no significant association is found for EU migrants, while a weak but positive one is observed among third-country nationals. Overall, despite there being no strong trend, the (weak but) positive correlation between the employment outcomes of EU migrants and their degree of concentration suggests that they are highly mobile and face fewer obstacles in the labor market. At the same time, the (weak but) negative association found between third-country nationals' employment outcomes and their degree of concentration suggests that this group of migrants is more likely to be trapped into "ethnic community enclaves" (Hatton and

Leigh 2011), with few alternative sources of information and low employment opportunities. These results are conditioned by the different human capital of EU migrants compared with third-country nationals.

### Concluding remarks

Integration measured as success in labor market participation and income outcomes do show a high degree of heterogeneity across Europe. Our descriptive results note the different paths toward socioeconomic integration for EU migrants and third-country nationals. The different paths are determined or influenced by the various characteristics of destination countries (such as labor market structure and institutions, welfare systems, discrimination patterns, etc.), the role played by their diverse migration policies, and migrant characteristics.

In spite of this high degree of heterogeneity, some clear trends seem to emerge: First, a trade-off between the employment-income dimensions is clearly observed in our cross-country analysis, in which better employment outcomes are counterbalanced by poor economic conditions in terms of income. Migrants show a low (negative) difference in employment compared with the local population in countries where they are at the bottom of the income distribution and vice versa. The labor market differential, controlling for gender, age, and education is reduced but does not change the general picture indicating that the assorted characteristics are not the main driver of the differential.

Second, the most critical situation is that of immigrant women from third countries. They are poorly integrated into host societies from an economic perspective regardless of age or education. This is true especially for some longstanding immigration countries and Scandinavian countries, such as Belgium, Germany, the Netherlands,

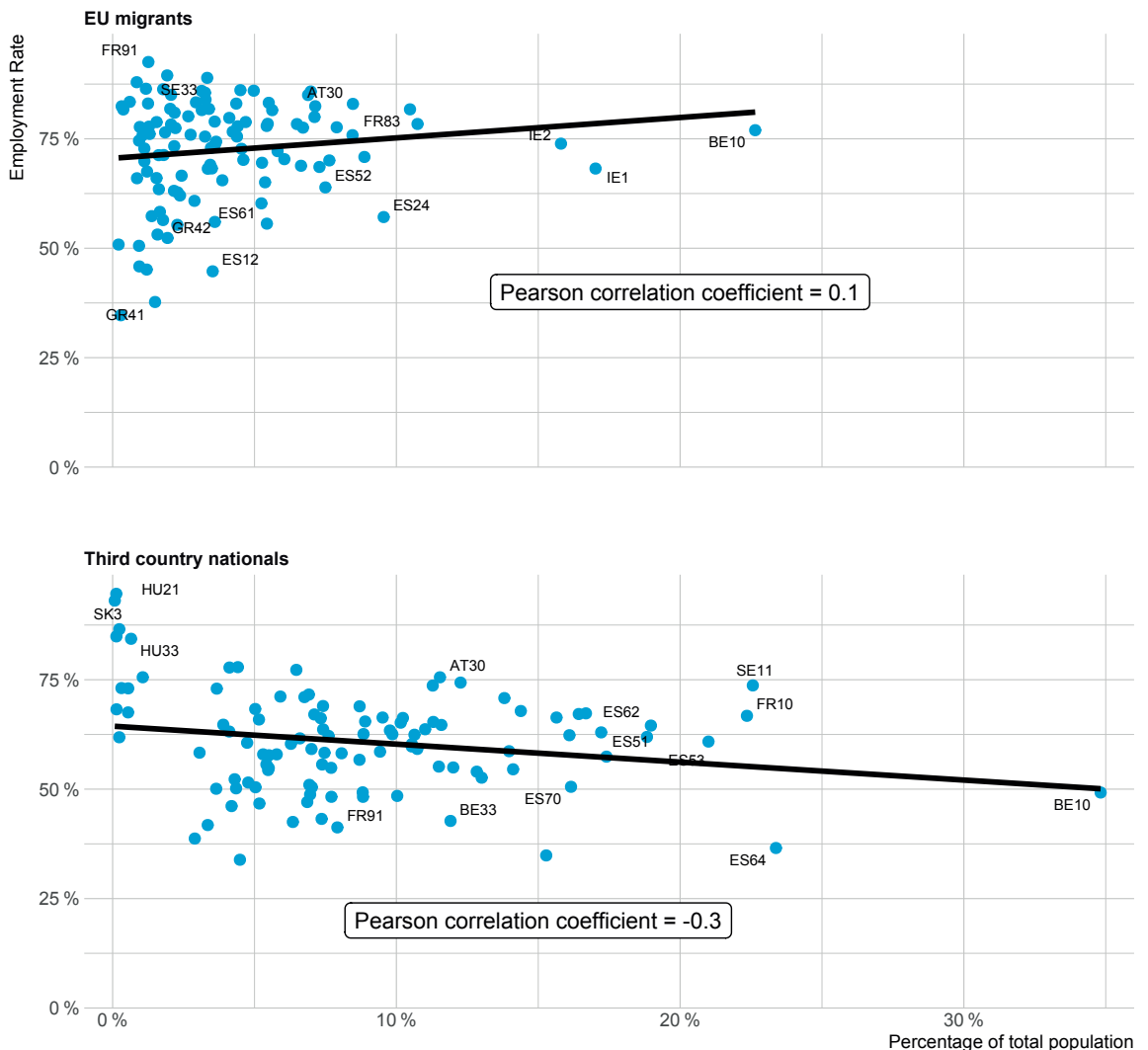
Denmark, and Sweden. This is worth noting as, by comparison, EU women migrants are better off elsewhere, especially in new EU accession countries.

Third, we found some variation within countries, too. In particular, our results show different models of economic incorporation for EU migrants and third-country nationals. EU migrants are more mobile, with migration trajectories driven by job opportunities. Third-country nationals appear to be a more homogenous group in terms of skills, are less mobile, and are concentrated in places that offer fewer job opportunities.

The integration of third-country nationals, measured in terms of educational attainment or human capital accumulation, shows a positive pattern across generations. With few exceptions, second-generation migrants are more educated than first-generation ones. The increase in educational attainment has the potential to produce positive effects in the socioeconomic integration of second-generation migrants. In this sense, appropriate policy interventions should be applied in order to favor school-work transitions and the optimal allocation of their human capital for economic and social advancement in the near future.

**Figure 3.4 Regional correlation analysis between the employment rates of migrants and the share of migrants among the total population**

EU migrants (a) and third-country nationals (b) in some selected EU countries,\* 2014



Sources: Own elaboration based on EU LFS data for 2014. \*According to data availability, only regions of the following countries are analyzed here: Austria, Belgium, Croatia, Denmark, France, Greece, Hungary, Ireland, Portugal, Slovakia, Slovenia, Spain, and Sweden.

# 3.2 Determinants of public attitudes towards immigrants and immigration

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Public opinion and the individual attitudes of a local population towards migrants and immigration matter. First, they are important because they can exert substantial influence on policymaking, also beyond the narrow scope of migration-related issues. Second, they matter because they can influence migrants' integration efforts and outcomes, which is one of the pivotal issues for societies experiencing increasing levels of immigration. Understanding what drives public attitudes towards migration and towards immigrants is therefore key to addressing one of the causes of failure or success of migration-related policymaking and integration outcomes.

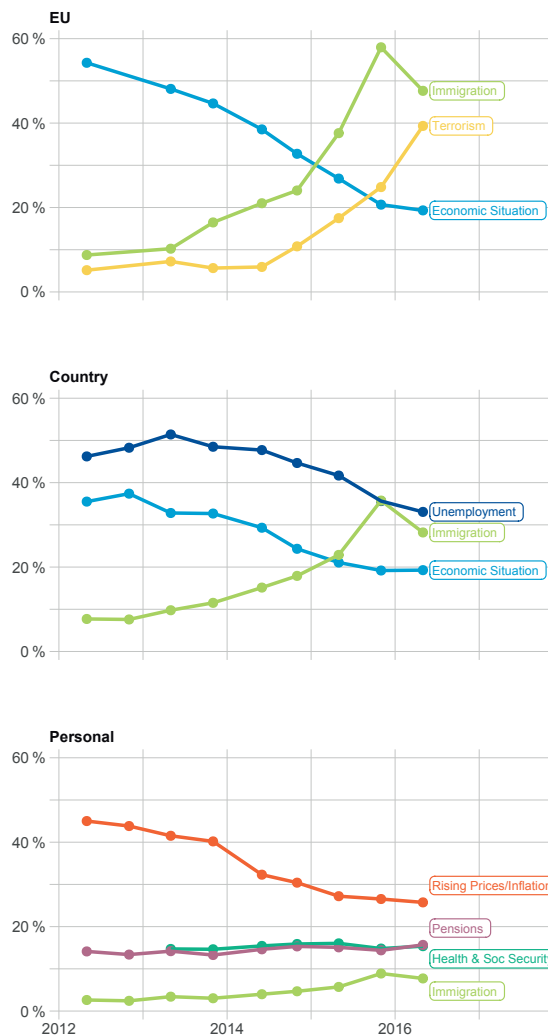
But how do public attitudes matter for policymaking? In democracies, policies are ideally a reflection of voter preferences. Elected representatives need to consider not only their own ideologies, but also rely on their perception of what might be reasonably expected in terms of the (economic) effects of immigration on their specific constituencies. Since EU-level policies depend on the support of those elected representatives and on elected governments and often on the officials appointed by those governments, both national policies and EU policies are likely to be affected by public opinion towards immigration and immigrants.

Suggestions for policy changes and policymaking processes have to factor in the attitudes of the public, which – as we discuss below – are not carved in stone. Failure to do so may also have effects that go far beyond the relatively narrow issue of migration and integration policies, especially in the current political environment in Europe. Recent Eurobarometer data show that EU citizens perceive immigration to be the most important issue facing the EU, and the second most important issue for the respondents' individual countries (see Figure 3.5a). Moreover, the survey results also reveal how firmly respondents consider the EU to be responsible for dealing with immigration these days. At the same time their personal lives are only mildly affected by immigration (see Figure 3.5b). As they nonetheless consider migration to be a major issue that needs to be dealt with effectively by European and national institutions, failure to live up to these demands risks further eroding trust in public institutions in general.

As stated above, the attitudes of the public can influence the integration efforts and outcomes of immigrants and refugees. Positive attitudes towards migrants and immi-

**Figure 3.5a** What are the two most important issues?

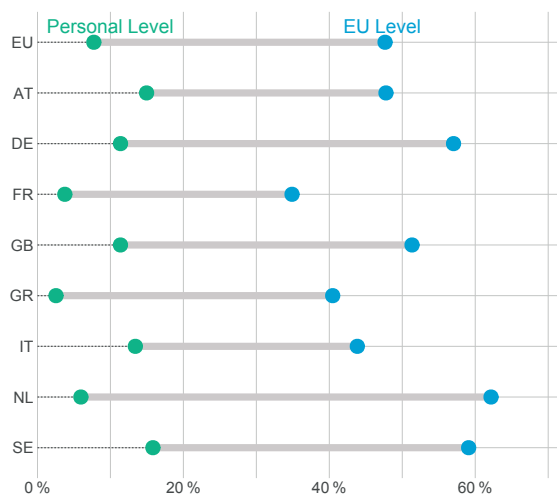
EU average share of answers over time, by level at which issue is faced



Sources: Eurobarometer 77.3-85.2.



**Figure 3.5b Importance of immigration**  
percentage of mentions among two most important issues at personal and EU level, by country



Sources: Eurobarometer 85.2.

gration are likely to facilitate employers' decisions to integrate migrants into the labor market; neighbors to establish contacts with the newly arrived next door; and local communities to integrate migrants into local sports clubs, which all represent important supply-side dimensions of migrant integration into host societies. Likewise, negative attitudes or even hostility towards migrants and migration is likely to create a discouraging environment in this respect. Incidence of hate crime against refugees, for instance, has soared in the aftermath of Angela Merkel's decision to accept a large inflow of asylum-seekers into Germany, as demonstrated in a recent study by Benček and Strasheim (2016) (see Box 3.1). There are certainly a number of highly complex factors that turn hostility into criminal activity. Yet, it is also likely that attitudes translate into behaviors that go beyond casting votes and holding politicians accountable.

In this chapter we draw on two well-published reviews (Ceobanu and Escandell 2010; Hainmueller and Hopkins 2014) and several other studies and put these into context with current developments. We also add insights from related literatures. Three qualifications must be made: first, this section focuses on the public attitudes in receiving countries. It is thus silent on the perspective of recent migrants themselves. Neither do we cover attitudes towards emigration here, which is of particular relevance to low- and middle-income countries with high labor mobility. Second, the underlying research stems mostly from North America and Western Europe. The 'generalizability' of findings will thus be highest in these regions. Third, studies and survey respondents do not always differentiate between attitudes towards individual migrants and attitudes towards the more abstract phenomenon of 'immigration' (Ceobanu and Escandell 2010). We outline these differentiations whenever possible in the remainder of this section.

Based on the insights generated by the surveyed literature, we argue that public attitudes are more strongly related to people's identities and relatively 'sticky' worldviews than they are to personal economic concerns. Atti-

tudes are not inalterable, however. They can be changed by social interactions across borders and educational attainment. Importantly, they can be 'activated' or 'mediated' by political discourse and media reporting on immigrants. We conclude with some tentative policy recommendations and outline what we consider to be fruitful avenues for further research.

### What drives attitudes towards immigrants and immigration?

There has been a substantial body of research whose theoretical foundations span the social sciences. We broadly divide these foundations into two strands of thinking: one that is inspired by a classic rationalist approach and conceives of the individuals' material interests and cost-benefit analyses as a driver of attitudes towards immigrants and immigration. These factors are usually also termed utilitarian in research on public opinion and attitudes. The second strand of thinking builds on a social-constructivist perspective and posits that attitudes are the result of constructed social identities and internalized cultural norms and worldviews. This line of reasoning is often called identitarian.

#### Utilitarian factors: Competition on the labor market and over scarce resources

Among the first factors commonly referred to when trying to explain negative attitudes towards immigrants and immigration are individual economic concerns. People feeling economically left behind or missing out in terms of prosperity, the reasoning goes, would oppose immigration to fend off pressure on labor markets and welfare systems.

To this end, much of the economic literature has considered attitudes towards immigration and immigrants to be the result of a straightforward cost-benefit calculation by rational and self-interested individuals. For one, post-tax incomes may be affected by increased **competition over scarce public resources**: since immigration, especially that of low-skilled people, can trigger a substantial fiscal cost in the host country, the government may consider raising taxes or cutting public spending as a result. Relatedly, researchers considered a stylized fact that ethnic diversity reduces the provision of public goods in societies (Alesina et al. 1999). One argument to explain this pattern is that groups that are too heterogeneous are less willing to share and are less trusting of one another, such that lower redistribution and lower public good spending emerge. A recent representative poll<sup>3</sup> among the German electorate indeed shows that distributive fears are widespread: 60 percent of those surveyed worry that public spending on refugees will result in spending cuts in other areas.

The evidence backing the argument that competition over scarce public resources drives public attitudes is, however, inconclusive. Recent studies question the straightforward relationship between ethnic diversity and public good provision by employing finer measures of diversity, or generally more nuanced analytical approaches (Baldwin and Huber 2010; Gisselquist et al. 2016; Wimmer 2016). Furthermore, from a purely self-centered income perspective, the local population anticipating higher taxes or spending cuts should oppose immigration (especially of low-skilled workers) and such attitudes should be more

<sup>3</sup> See [http://www.forschungsgruppe.de/Umfragen/Politbarometer/Archiv/Politbarometer\\_2016/Dezember\\_2016/](http://www.forschungsgruppe.de/Umfragen/Politbarometer/Archiv/Politbarometer_2016/Dezember_2016/)

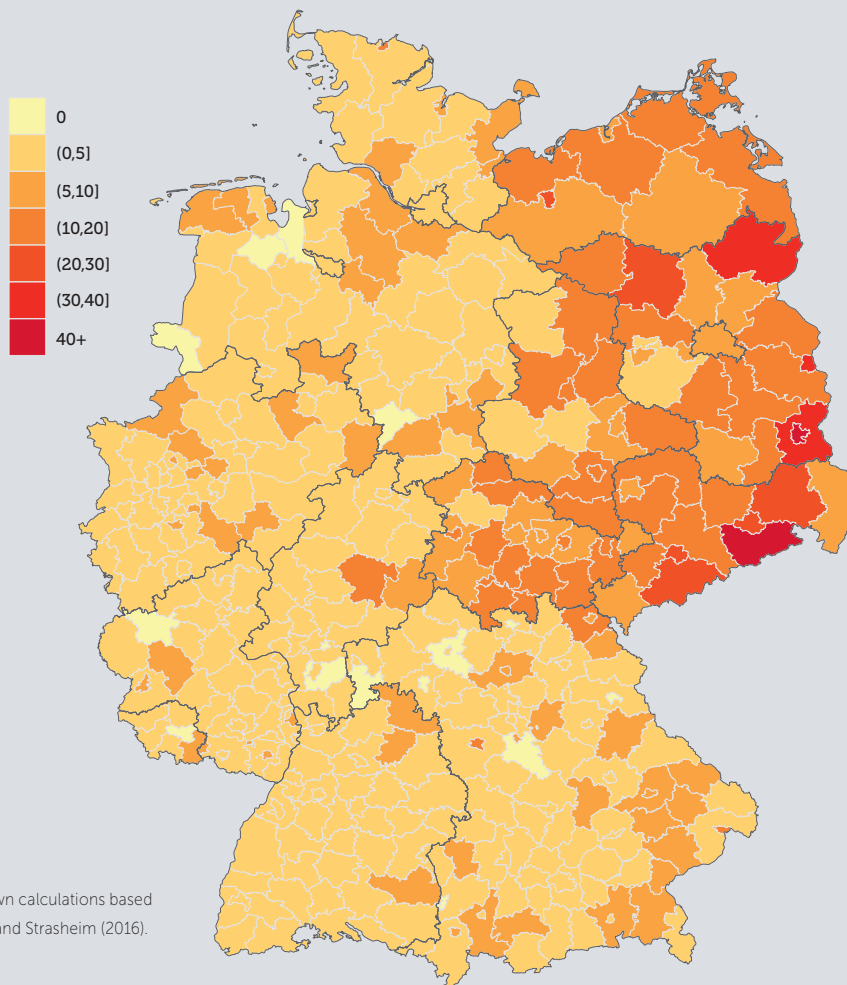
**Box 3.1 Refugees and hate crimes in Germany**

With rising numbers of incoming asylum seekers, official police statistics have recorded hate crimes against refugees and refugee housing as increasing by factors of 5 to 15 during 2015 (BMI 2016). Information collected by the Amadeu Antonio Foundation and Pro Asyl, which has been geocoded and published as a scientifically usable dataset by Benček and Strasheim (2016), shows that large parts of Germany experienced anti-refugee incidents during the years 2014 to 2016.

The data distinguish between four types of occurrences: arson, assault, demonstrations and miscella-

neous attacks against refugee housing (such as broken windows or xenophobic graffiti). Cases in the latter category have soared, especially, increasing from 189 in 2014 to 935 and 1441 in 2015 and 2016, respectively. Cases of assault and anti-refugee demonstrations have taken place in regional clusters, primarily in East Germany. The disparity between East and West Germany is even more telling when factoring in population numbers. As the heat map below shows, attitudes and behavior towards refugees seem to differ significantly in both parts of the country.

**Figure 3.6 Anti-refugee incidents 2014-2016**  
number of incidents per 100 000 inhabitants per district



Sources: Own calculations based on Benček and Strasheim (2016).

Preliminary analyses of the data support some existing theories about determinants of xenophobic behavior: while regions with higher unemployment alone are not more likely to experience anti-refugee events, the perceived labor market competition by a high ratio of incoming refugees to unemployed persons is positively correlated with occurrences. At the same time, prior contact with foreign nationals (measured by the past percentage of foreigners in the population) seems to lessen hostile attitudes and behavior.

Perpetrators also appear to be influenced by observed acts of violence towards refugees. The data show evidence of positive reinforcement across all event types within regions. This suggests that prior violence can encourage the perception of social acceptance with respect to anti-refugee attitudes and behavior. For this reason it is advisable that policymakers are unambiguous in their communications and the stance they take against xenophobia.

widespread among locals with high incomes than among those with lower incomes. But evidence is mixed<sup>4</sup> and more recent studies conclude that rich and poor local citizens do not necessarily differ in their attitudes towards immigration and that fiscal threat is not a convincing mechanism.

Then again, a recent study of attitudes towards the special group of asylum seekers (Bansak et al. 2016) finds that European citizens prefer the better skilled among them. The higher the skill level of an asylum seeker, the lower the total amount of benefits that is typically expected to be paid out over time, because higher-skilled asylum seekers will find it easier to enter the labor market and support themselves. Expected competition for public resources, however, needs to be seen in combination with expected competition for jobs.

The public's expectations about adverse **labor market effects** are the typical origin of 'drawbridge-up' rhetoric with respect to migration. The underlying, very simple economic argument is that increased immigration is a labor supply shock. For a given level of labor demand, it thus raises competition and may negatively affect wages in the host country, depending on how flexibly wages can react. For locals with skills matching those of immigrants who are not subject to policies such as minimum wages, it could therefore be economically rational to oppose immigration. But the literature has so far produced highly inconsistent findings about labor market-driven explanations (as it has about the actual labor market effect, see Dustmann et al. 2016); some find that low-skilled workers are indeed more likely to prefer a restrictive immigration policy, arguably because they anticipate low-skilled migration, in particular (Scheve and Slaughter 2001). But these findings are questioned by other prominent scholars. Hainmueller et al. (2015) and Hainmueller and Hiscox (2010) show that high- and low-skilled workers, like rich and poor parts of the US population all favor high-skilled over low-skilled immigration.

To distinguish between different levels of skill, most of the literature uses some measure of educational attainment. Multiple studies show that higher levels of education are consistently associated with favorable attitudes towards immigration of all kinds (Ceobanu and Escandell 2010; Hainmueller and Hiscox 2007; Huber and Oberdabernig 2016). Whether this effect is indeed a reflection of economic self-interest, however, is debated because education is also thought to foster cosmopolitan values through a "liberalizing effect" (Ceobanu and Escandell 2010; see also Kuhn et al. 2016): education arguably encourages reflexivity, critical thinking, and provides for an environment in which individuals are exposed to and experience cultural diversity. Educated people consequently tend to be less ethnocentric (Chandler and Tsai 2001) and often have a stronger preference for diversity (Hainmueller and Hiscox 2010).

In addition, the mere fact that education is a good predictor of attitudinal differences does not necessarily mean that it is indeed the causal factor at play. It may well be an underlying driver in the background that either affects the likelihood of obtaining education in the first place or that changes as a result of education. Whether this factor is related to individual traits, preferences or experiences is still an open question for researchers.

And yet, the liberalizing effect and changes in attitudes due to education are unlikely to be associated with a simple rational cost-benefit calculation about the individual economic situation of local citizens. By contrast, concerns related to effects on in-groups that locals feel part of, as well as other non-economic factors, have been shown to matter substantially when explaining attitudes towards immigrants and immigration.

#### Identitarian factors: Sociotropic concerns and collective identities

Among those factors is **collective identity**. Identity is usually associated with how an individual differentiates between members of its in-group and out-group. Such in-group versus out-group considerations in turn modify the economic considerations outlined above: if individuals expect immigration to have a negative effect on their in-group, they can be strongly opposed to immigration or immigrants, even in the absence of any personal disadvantages. Many people's attitudes towards immigrants or refugees do not therefore depend on the socio-economic effect on themselves, but rather on the perceived effect on their in-groups ('sociotropic concerns').

But how are such in-groups and out-groups defined? In principle, concepts of identity can define the in-group in a way that includes immigrants. For example, shared religion can signal shared values and in some cases explicitly establish a community of all adherents, regardless of nationality. Religion can, however, also be used as a label for strangers and shape attitudes towards very heterogeneous immigrants – notice the strong anti-Muslim bias in EU countries. A major differentiation made in the literature in this regard is between **ethnic and civic conceptions of national identity**. People defining their national identity in ethnic terms, consider their ingroup "on the principle of descent; the nation is a marriage of blood and soil", while civic identity is associated with a greater permeability: "anyone can belong provided he or she accepts certain fundamental values and institutions" (Wright et al. 2012: 470f.).

People who define their national identity in ethnic rather than civic terms tend to favor more restrictive immigration policies (Hainmueller and Hopkins 2014; Wright et al. 2012). Interestingly, such individuals also hold negative attitudes towards all kinds of immigrant groups without making any further differentiation between them on the basis of other group-specific characteristics (Kinder and Kam 2009 as cited in Hainmueller and Hopkins 2014). At the same time, national identity is also shaped by immigration experiences and strongly varies with education, among other factors, underlining the difficult and multidirectional relationships between them (Schildkraut 2014). Likewise, explanations that draw on fixed individual characteristics such as age or gender do not fare much better in explaining attitudes towards immigrants and immigration. Even though research has shown that older, male, and rurally residing citizens hold negative attitudes towards immigrants and immigration, demographic factors do not prove to be very consistent (Ceobanu and Escandell 2010).

As a consequence of all these factors, Europeans' attitudes to individual asylum seekers seem to be a combination of sociotropic concerns about expected economic impacts, anti-Muslim bias and a sense of deservedness;

<sup>4</sup> While studies such as Hanson et al. (2007) and Facchini and Mayda (2009) find evidence to support this hypothesised mechanism, more recent work by Hainmueller and Hiscox (2010) and Tingley (2012) differs.

voters in the EU accept asylum seekers with clear grievances related to persecution or risk more than those with less clear circumstances or economic motives (Bansak et al. 2016). A sense of **fairness** is an important determinant of attitudes, not so much regarding the individual but the overall asylum and migration policy. Using the same sample of about 18,000 Europeans, Bansak et al. (2016b)<sup>5</sup> find that acceptance of redistributing refugees across Europe is high as long as citizens of other countries are seen to shoulder their fair share; for example in a regime where allocated numbers of asylum seekers are proportional to population size and economic capabilities. These fairness concerns carry considerable weight: in the majority of European countries surveyed people are willing to support an EU-wide burden-sharing scheme, with no free-riding, even if it means that their country would have to accept more asylum seekers.

How do utilitarian versus identitarian explanations play out in **explaining support for EU migration and asylum policies**? In a study on support for EU control over immigration policy, Luedtke (2005) shows that citizens who hold an exclusive national identity (as opposed to also identifying with Europe) are much less inclined to support a joint EU policy in this regard. He also shows that this factor is more important than factors associated with utilitarian arguments. This is in line with the finding that a strong attachment to a nation state, and the perception of being under threat from outsiders, goes hand in hand with greater scepticism toward European integration (Boomgaarden et al. 2011; see also Hooghe and Marks 2004). It also echoes studies showing that “citizens do indeed take into account the economic consequences of European integration, but conceptions of group membership appear to be more powerful” (Hooghe and Marks 2004: 1). Against this backdrop, the Brexit-vote in the United Kingdom reflects a culmination of longstanding objections to conceding national sovereignty, coupled with the perceived threat of losing control during the refugee crisis. This can be seen as part of a broader trend: trust in institutions and politicians at various levels in the EU has fallen since the Great Financial Crisis of 2008 (Papaioannou 2013). Before 2015, right-wing parties predominantly campaigned on an anti-EU platform and less on anti-immigration agendas (Hatton 2016b). The lack of coordinated national responses to the large inflow of asylum seekers in 2015-16 has likely been a game changer in this regard. It affected attitudes toward national governments, the EU and more generally the feeling of being represented in the political system, thereby further eroding the already low trust in public institutions among certain segments of society.

#### **Moderating public attitudes: Contact, politics, and the media**

Much of the literature on individual characteristics reviewed above conceives of the local population’s attitudes as being relatively isolated from interaction with the outside world. Research on attitudes, however, has also explored how attitudes are affected by contact with or proximity to immigrants, the framing of migration issues in the political process, and exposure to media reporting or specific political contexts.

Most prominently, the **contact hypothesis** reasons that contact with migrants would foster more favorable

attitudes. This hypothesis was originally based on certain premises about how this contact would need to be established (Allport 1954): among them are “equal status, cooperation, similar goals, and official endorsement” (Ceobanu and Escandell 2010: 317). A study that looks at the impact of recent refugee inflows to parts of Austria indeed indicates that the increased presence of refugees at the local level can decrease the local vote share of the far right (Steinmayr 2016). Other research, however, casts doubt on the effect that a mere increase of the presence or visibility of a minority group may exert on public attitudes. To name but two examples: a recent study from the Greater Boston area (Enos 2014) shows that contact indeed affects attitudes towards immigrants. It does however indicate that merely sharing a train journey with a visible minority group but without having personal contact does not necessarily improve attitudes. Spending time side by side without communication can indeed have negative effects, for example by making a group such as undocumented immigrants stand out more. These effects may also vary with regard to the ethnic group in question. This study also shows, however, that contact does not necessarily alter immigration policy preferences.

Importantly, the impact of increasing the visibility of migrants depends on the estimated size of the group in the community. People are notoriously bad at such estimates and therefore use cues from their own experience and information from other sources, which are not necessarily correct either. This is especially concerning with respect to the current debate about the spread of deliberately false (fake) information on the internet. The impact of immigration on attitudes thus also depends on the overall salience of immigration issues in **national political discourse** and the media, as well as the strength of particular arguments. If immigration is a topic that is salient in national politics, people who are more exposed to immigrants in their communities tend to have more restrictive views on immigration than in times when the issue is less prominent (Hopkins 2010; Hopkins 2011). This salience can be affected either by politicians or other actors bringing up a topic for debate and by the media’s subsequent reaction.

Politicians and other elites can affect attitudes by highlighting and framing issues in certain ways: if, for example, different politicians chose to frame immigration either as increasing the risk of terrorism or as increasing diversity in readily available cuisines, public discourse on the issue would be highly imbalanced with regard to the strength of the arguments, i.e. how compelling individuals perceive different arguments to be relative to each other. And unless citizens’ penchant for exotic food outweighed their fear of terrorism, this relative difference in the strength of frames would likely pull them towards more critical attitudes to migration. The experience of partisan politics in the US (Druckman et al. 2013) furthermore suggests that polarization and endorsement by political parties matter. If there is low polarization on an issue between political parties, citizens will be drawn towards the stronger frame. Yet, if these are similar in strength, party endorsement can drive the opinions of supporters. However, if polarization is high and party lines thus demarcate possible sides of an issue, the strength of the frames has little effect and it is party endorsement that drives opinions.

<sup>5</sup> This paper was previously accessible from SSRN.

The media has the power to amplify effects. In an experiment on a representative sample of US citizens in which a newspaper article was intentionally altered for some participants, Brader et al. (2008) find that media reports can trigger emotions, especially anxiety. This happens if reports of negative consequences of immigration are combined with referrals to already stigmatized groups, even if they do not increase respondents' beliefs about the severity of these consequences. Importantly, if these anxieties are triggered, they will increase the impact of different types of news on actual political action. The media can thus play a very negative role that may threaten the social fabric. Similar mechanisms partly explain how politicians and other public figures can use the media to increase the salience of immigrant groups and of the consequences of immigration. Using their influence as an intermediary, the media might, however, increase or decrease the effect on citizens' attitudes by reinterpreting or contextualizing politicians' messages. There is so far very little explicit research on this interaction (but see Adena et al. 2015 and Yanagizawa-Drott 2014 for recent analyses of media accountability for discrimination and ethnic violence in historical contexts).

So far, there is also little evidence of a positive role for media. This might be a consequence of the differential weights that humans place on positive and negative information or risks, similar to the way in which people overestimate losses compared to equivalent gains (see Kahneman and Tversky 1979).

### Implications

To summarize, attitudes are less shaped by individual economic experience of competition or worries about potential personal fiscal costs. Rather, the adverse economic effects that individuals fear their in-groups may suffer are more influential. The surveyed literature also shows that politicians and the media bear substantial responsibility in framing the attitudes of citizens towards immigration. We therefore put forward what we consider to be important policy implications:

#### Provide the public with nuanced factual knowledge

Attitudes are ultimately driven by subjective perceptions and beliefs, but these are substantially informed by public debates. Policymakers, the media and experts bear a responsibility to present nuanced factual knowledge with regard to economic concerns about immigration in public discourse. For instance, the majority of active researchers on the objective effects of immigration do not find them to be great in terms of labor market competition in advanced economies (Hainmueller et al. 2015; Hainmueller and Hiscox 2010). The group typically most under pressure from newly arriving immigrants are previous migrants who work in those niches of the labor market that are accessible without fluency in the host country's language (e.g. Peri and Sparber 2009) or which have poor working conditions. The same logic holds for the fiscal costs of immigration, which are typically small in relation to other, sometimes highly inefficient budgetary items.

#### Watch for identity talk, when 'taking concerns seriously'

Economic concerns about labor market integration or competition can be addressed in a straightforward fash-

ion. Yet, as argued above, anti-immigrant attitudes are also strongly driven by identity-related concerns: some people may be wary of immigrants not sharing civic values their (usually national) community holds dear (what we labeled as a civic form of identity). Others oppose immigration because it represents a threat to their ethnicity-based notion of identity associated with place of birth, skin color, etc. These two groups, in our view, each require different policy responses. For people whose civic identities are in principle open to anybody subscribing to the values and principles of a community, a political 'identity' rhetoric that emphasizes the civic principles of a community (and sanctioning in the case of violations) is important. Such rhetoric would come without a clear delineation of in- and out-groups along the native-born-immigrant divide. This positive rhetoric of stressing civic notions of national identity is currently rather marginalized in Europe. Instead, populist and right-wing parties dominate the identity discourse by putting forward ethnic conceptions of identity, at times in the guise of civic identity ('defending European values'). This ethnic identity discourse frequently separates immigrants from "natives" and further feeds into anti-immigrant sentiments among the public. While politicians should take the concerns of host countries' citizens seriously, they should be wary of offering simplified solutions that create additional divides between the host society and immigrants.

Another important role falls to politicians, other public figures and the media. The mechanics of identity mean that it can be relatively easy to single out particular minority groups in a society and split them from the majority population along some marker (e.g. religion, ethnicity) that they load with negative connotations. This means that even well-integrated members of society can be placed in an out-group facing very strong negative attitudes. Populist politicians frequently use strong negative associations (i.e. terror, crime) to trigger anti-immigrant attitudes. Such a tactic calls for equally strong positive frames and low partisanship. In all this, the media have an opportunity to lay bare the tactics being used to weaken the social fabric, which is precisely what people with strong preferences for shared values and culture care about. Responsible reporting might therefore decrease the destructiveness of opportunistic identity politics and facilitate a successful integration of newcomers into society.

#### Create environments for positive interaction

Immigration and integration policies should be designed in such a way as to foster positive interactions between the majority population and recent arrivals. Such contact has the benefit of transforming immigration from an abstract phenomenon into personal experiences with individual people, and, as research shows, is likely to lead to a reduction of anti-immigrant sentiment. Even if contact creates an awareness of differences, such interactions at the individual level usually lead citizens to the realization that (also as a consequence of self-selection and sorting, see Chapter 4.1) the vast majority of newcomers are far more similar to themselves than prejudice would suggest.

# 3.3 Labor Market Integration of Refugees

Lead authors: Dominik Groll and Nadzeya Laurentsyeva<sup>6</sup>

Many interrelated factors, from immigrants' characteristics and their location choices to integration policies in the destination countries and attitudes of the local population, can influence the economic and social integration of immigrants. The economic outcomes of immigrants vary widely across and within EU member states, as well as across immigrants' origins. Immigrants from non-EU countries, on average, perform worse in terms of employment and income compared with immigrants from EU member states (see section 3.1 above). Figure 3.7 illustrates another dimension of variation: within the group of non-EU immigrants, employment rates differ considerably depending on the reason for migration. While the employment rate of those coming for employment or study purposes follows closely that of the host population, for immigrants seeking international protection, it takes up to 20 years of residence to catch up. This section focuses on this particularly vulnerable group.

As the number of refugees<sup>7</sup> in the EU substantially increased in 2015–16, their low expected employment rate for at least the next decade may result in sizable economic and social costs to host societies and refugees themselves. This calls for the design of efficient integration policies in the key destination countries. The labor market integration of refugees is important not only because it lessens the burden on the public budget. It also improves the quality of life for immigrants, reduces the risk of illegal activities and crime (Couttenier et al. 2016), and generates positive attitudes among the local population (Bansak et al. 2016).<sup>8</sup> In the medium and long run, if refugees stay in their destination country, earlier entry into the labor market prevents the depreciation of their human capital and helps to avoid the unemployment trap. Furthermore, economic integration tends to foster social integration and improves the outcomes of second-generation immigrants.

It would be hard to argue against the benefits of early labor market integration and the need for language and integration courses, skill upgrading, or active labor market policies. However, when it comes to the design of policy interventions subject to financial and political constraints, several questions emerge. Do refugees require a targeted approach or can the existing policies for the local population or other immigrants be extended to refugees? How restrictive or selective should the regulation be toward asylum seekers and unrecognized refugees? How efficient are specific policies and through which mechanisms do they operate? To answer these questions, one needs, first, to understand the challenges that refugees face in the labor market; second, to carefully evaluate the costs and benefits of policies and regulations as well as any spillovers between them; and third, to be ready for some experimentation.

In this section, we review the determinants of labor market integration of refugees and provide evidence-based recommendations for integration policies. Rather than aiming at a comprehensive overview (see for example,

Boockmann et al. Forthcoming), we highlight a number of policy-relevant issues. We start by summarizing the challenges to the labor market integration of refugees to understand what drives the gap in their economic outcomes relative to other immigrants. We then draw on new macro- and micro-level evidence from Germany to examine in detail how the job search process of refugees evolves over time and what may determine its success. Skeptics may argue that fast labor market integration of refugees is not feasible due to a lack of education, qualifications, and language skills: it takes both time and financial investment to build up the necessary human capital. While we do not contest the importance of skills for the economic integration of refugees, the evidence presented illustrates that job matching frictions also play a significant role and that providing personalized job search assistance may accelerate refugees' access to the labor market.

## Challenges to the labor market integration of refugees

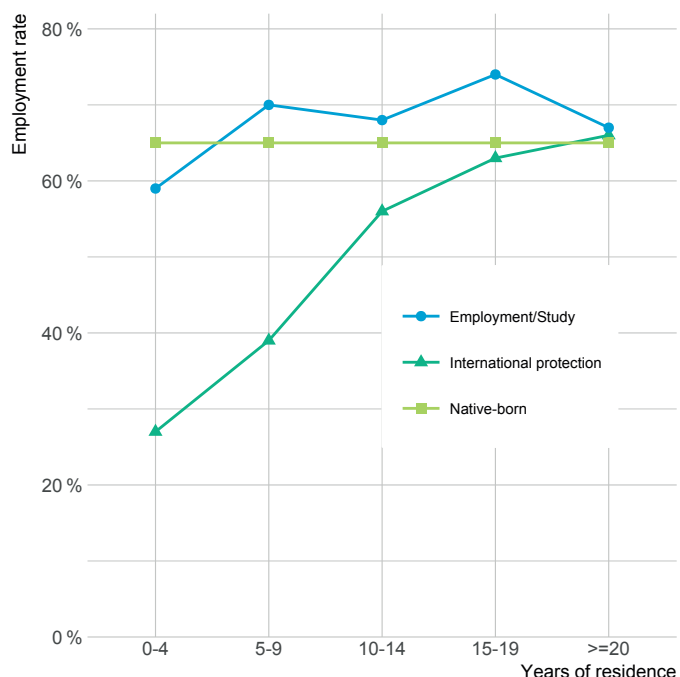
Compared with economic immigrants, refugees face more challenges in the labor markets. First, destination countries cannot select refugees based on their skills or how they match the existing labor demand. At the same time, refugees do not fully control the timing of their migration

<sup>6</sup> Section 3.3 was written by Dominik Groll and Nadzeya Laurentsyeva. Dominik Groll is the lead author of the sub-section on macro-level evidence for Germany.

<sup>7</sup> In this section, we use the word 'refugee' to denote all immigrants who seek international protection, i.e. both asylum applicants and recognized refugees.

<sup>8</sup> Couttenier et al. (2016) exploit heterogeneity in public policies within Switzerland to show that facilitating labor market access to asylum seekers decreases the probability of violent crimes. Bansak et al. (2016) survey 18,000 residents in 15 European countries and find that the respondents favor asylum seekers with higher employment potential.

**Figure 3.7 Employment rates of non-EU born, age 15-64 based on the reason for migration and years of residence in an EU member state, EU level**



Sources: Tanay et al. (2016) based on the Eurostat Labor Force Survey (2014).

and the choice of destination. Therefore, refugees often lack destination-specific skills and networks. Second, refugees usually come from countries in distress; thus, they may have had no opportunity to acquire a good education or professional skills and may be more likely to suffer from physical and mental disorders. Third, until asylum seekers are recognized as refugees, their legal status remains uncertain and they face strict regulations on labor market access. Therefore, both refugees and potential local employers have lower incentives to make job-related investments. Moreover, asylum seekers and recognized refugees are less flexible in responding to income shocks because they have fewer options to relocate within the host country or to return to the country of origin, at least in the short term. In sum, these challenges fall under three broad categories: a lack of skills, matching frictions, and uncertainty due to regulation. We now discuss the challenges in more detail referring to the academic literature and evidence from the ad hoc module on migration of the Eurostat Labor Force Survey (LFS 2014) as well as from recent firm-level surveys.

#### A lack of skills

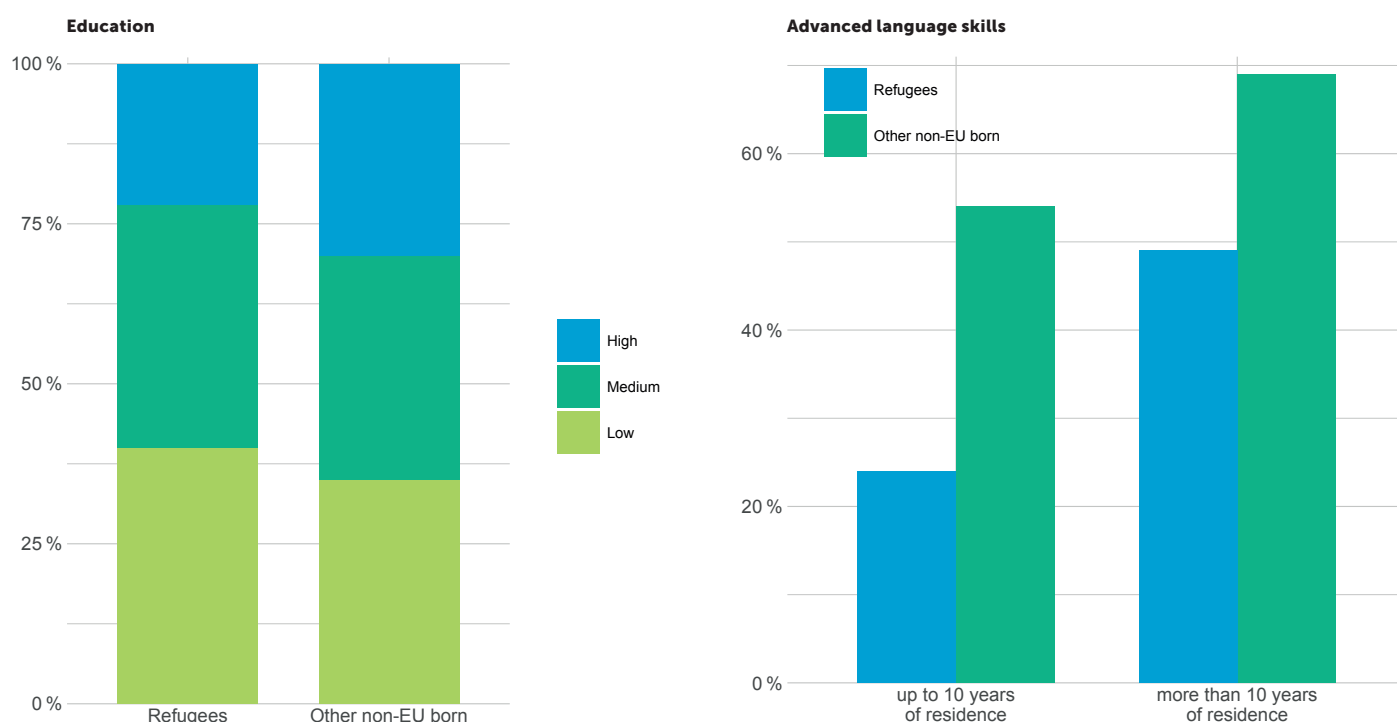
Unlike regular economic immigrants, refugees are not selected based on their skills. Therefore, there is a general perception that low education and a lack of professional qualifications prevent refugees from finding jobs. With respect to formal education, there are indeed differences between refugees and other immigrants from non-EU countries, but they are not stark: the share of individuals with no or only primary education is five percentage points higher among refugees, while the share of those with tertiary education is eight percentage points lower (Figure 3.8, panel a). Since the employment rate is

higher for highly skilled than for low-skilled immigrants (74 percent vs 52 percent on average in the EU), differences in education levels can explain part of the gap in economic outcomes. However, even among immigrants with the same level of education, refugees are less likely to be employed than other non-EU born. Moreover, the education gap between refugees and other non-EU immigrants changes only slightly over the years of residency in the host country. Therefore, it cannot account for the observed convergence in employment rates (see Figure 3.7 above).

The lack of professional qualifications might represent a bigger issue. For instance, according to the results of firm-level surveys in Germany and Austria (Ernst and Young 2016; Falck et al. 2016), around 50 percent of employers consider the lack of qualifications a major obstacle to employing refugees. This could be due to difficulties in transferring the professional experience acquired in origin countries to more developed countries or to the absence of such experience (for example, due to a young age at migration). Additionally, refugees often do not possess formal proof of their qualifications; therefore, local firms are more likely to reject their job applications during the screening process.

The biggest obstacle, though, according to both refugees and local firms, is insufficient language skills (see Figure 3.9). Again, this reflects the short planning period before migration takes place. Using data from the Eurostat Labor Force Survey, Tanay et al. (2016) estimate that if refugees were proficient in the host country language, their employment rate would improve by nine percentage points. Dustmann and Fabbri (2003) examine the outcomes of immigrants in the UK and apply a careful research design to disentangle the effect of language skills from other pos-

**Figure 3.8 Education and language skills of refugees and other non-EU born**



Sources: Tanay et al. (2016) based on the Eurostat Labor Force Survey (2014).

sible confounding factors. They find that English proficiency increases employment probability by around 20 percentage points and generates 18-20 percent higher earnings. These estimates can serve as a rough benchmark of what policy interventions to support language acquisition could ideally achieve.

Over time, refugees' language skills converge toward those of other immigrants, thus contributing to the convergence of employment rates (see Figure 3.8, panel b). While language issues become less prevalent in the long run, a lack of language skills during the first few years after arrival hinder entry into the labor market and may eventually result in long-term unemployment. This observation not only calls for earlier language support measures, but also relates to the design of relocation policies.<sup>9</sup> For instance, Auer (forthcoming) examines the labor market outcomes of refugees who were randomly placed across Swiss language regions: the probability of entering employment during the first two years is 12 percentage points higher for those whose native language matches that of the region. Consequently, including knowledge of a local language as an additional criterion for the relocation of refugees could facilitate their entry into the local labor markets and decrease overall public spending on language support programs (or income support).

**Matching frictions**

Matching frictions prevent individuals, who are willing to work and possess the necessary skills, and firms, which would benefit from hiring these people, from meeting in the labor market. Compared with the local population and other immigrants, refugees face greater matching frictions. Often, refugees cannot choose their location within a country and may therefore lack the necessary

social connections (a network of friends or other immigrants) to find employment. Moreover, settlement restrictions limit the geographical area for their job search, making it harder to find a job that would match the refugees' skills and qualifications. In addition, many refugees come from countries with a different labor market culture, and thus are not familiar with job search procedures and methods in the host country. Complex regulations, the involvement of many entities in supporting refugees, and communication problems due to language barriers make it, in general, difficult to navigate the system. Therefore, merely extending the existing active labor market policies to refugees may not be enough to overcome the prevailing matching frictions.

A possible solution is to develop targeted programs that offer personalized counseling. Sarvimäki and Hämäläinen (2016) evaluate the effect of such a program that was implemented in Finland in 1999 and targeted non-working immigrants. The core of the program was the preparation of mandatory, individualized integration plans and their realization under the supervision of public employment services.<sup>10</sup> The cumulative earnings of immigrants who took part in the program, relative to a comparison group, increased by 47 percent over 10 years.<sup>11</sup> A similar program was introduced in 2010 under the Swedish Establishment Reform, which aimed at facilitating the integration of refugees. Andersson Joonas et al. (2016) evaluate the impact of the reform and find that two years later, refugees affected by the reform had a 2 percentage-point higher probability of employment and 20 percent higher earnings relative to those not covered by the reform.<sup>12</sup> For policy implications, it is important to note that the evaluations from Finland and Sweden quantify the benefits of the counseling packages. It still remains unclear, though,

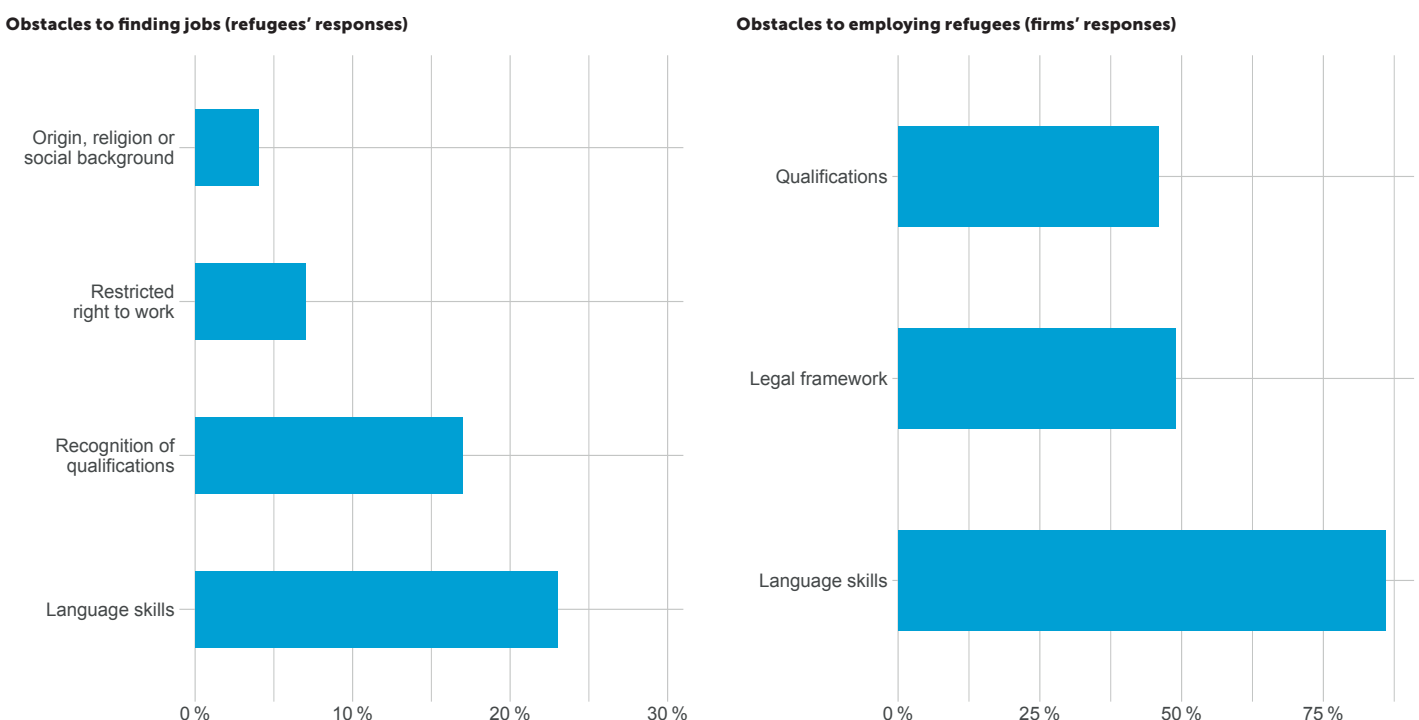
<sup>9</sup> In many EU countries, refugees are not allowed to choose their location, but are allocated across the host country according to criteria that most often include population size and the state of the economy.

<sup>10</sup> The plans were prepared during a meeting with a caseworker from the public employment service and were tailored to the individual's skills and circumstances. The plans could include language and civic courses, vocational training, job placements, etc.

<sup>11</sup> The comparison group consisted of immigrants who arrived in Finland just before the program started and for whom participation was voluntary.

<sup>12</sup> The comparison group are refugees who arrived in Sweden in the 11 months prior to the reform.

**Figure 3.9 Obstacles to the employment of refugees: What do refugees and the local firms say?**



Sources: Tanay et al. (2016) based on the Eurostat Labor Force Survey (2014) and the survey of German human resource managers (Falck et al. 2016).



which mechanisms in fact ensured the observed faster labor market integration and higher earnings: access to better tailored language courses and professional training, or better matching and placement of job seekers, or stricter monitoring by caseworkers and, as a consequence, increased job search efforts by refugees? Would the results still hold if some elements of the above counseling packages were dropped? This calls for additional research that would evaluate the effects of concrete interventions.

Local firms may also face frictions. For instance, in a survey of German firms, 49 percent of respondents name regulation as a large obstacle to employing refugees (Falck et al. 2016). This result suggests that firms have to bear the main bureaucratic costs associated with hiring refugees. Accordingly, objective and timely information about hiring procedures could alleviate some of the frictions. Higher screening costs might also prevent firms from hiring a refugee with no prior work experience in the local labor market, especially if the candidate has no formal qualifications (Ernst and Young 2016). To some extent, the first firm that hires a given refugee produces a public good by bearing the cost of screening and revealing some positive information about this person to other potential employers. To incentivize hiring among firms, the government could offer subsidies. Clausen et al. (2009), for example, using Danish administrative data, argue that providing subsidies for firms is an efficient policy to integrate newly arrived refugees and family immigrants into the labor market. Yet, as a long-term measure it could lead to distortions. An alternative way to alleviate this friction is to ensure certification of skills or to pre-screen job seekers, for example, through public services.

#### Uncertainty and regulation

Relative to other immigrants, refugees experience greater uncertainty. First, asylum seekers face uncertainty regarding the decision on their asylum application: Will they receive a positive or a negative decision? Which protection status will be granted?<sup>13</sup> Second, recognized refugees are entitled to temporary residence permits, but it is not certain that a permit will be extended upon its expiry. Hence, the observed slow labor market entry of refugees may be due to their shorter expected stay in the host country and, as a consequence, lower investment in the job search and country-specific skills before the uncertainty is resolved. Dustmann and Görlach (2016) and Adda et al. (2014), for instance, show that the short expected residency duration negatively affects human capital investment decisions. Similarly, firms may reject an application from a job seeker if they are not sure about the applicant's legal status or its duration. Also, it might not be profitable for employers to invest in firm-specific training given an uncertain time horizon. If refugees and firms correctly anticipate the duration of stay, their labor market decisions might be socially optimal. However, if in fact refugees are staying longer than they or firms expect, this will result in suboptimally low investment in human capital.

In addition, access to the labor market as well as various support measures can be explicitly restricted for certain groups of immigrants. Although many EU countries provide working permits also to asylum seekers (the waiting time ranges from 0 months in Sweden to 12 months in the UK), other regulations usually apply, such as a labor market test, residency requirements, sector restrictions, and

prohibition of certain types of activities (entrepreneurship or work in temporary employment agencies). Finally, in most cases, work permits are revoked if an asylum seeker does not eventually receive protection status.

The rationale for restrictive policies towards asylum seekers is to distinguish immigrants who come for humanitarian reasons from those who are driven mainly by economic motives. Yet, when combined with long asylum procedures, such policies can backfire on the performance of those who genuinely need support. Hainmüller et al. (2016), using the Swiss data, show that one additional year of limbo (the protracted period when asylum seekers are granted only a temporary residence permit while waiting for the decision concerning their refugee status) reduces the future employment rate by about 5 percentage points. Havrylchuk and Ukrayinchuk (2016) quantify the impact of limbo on the employment of refugees in France and find a similar effect. The 'limbo effect' found in both papers can be driven by both a longer uncertainty period and explicit labor market restrictions, which asylum seekers face while waiting for the authorities' decision. Therefore, possible policy responses could involve reducing the processing time for asylum claims or providing more labor market opportunities for asylum seekers.

The labor market integration of refugees has recently received much attention.<sup>14</sup> While existing studies identify challenges for economic integration and review best practices, the 'hard' quantitative evidence on how refugees, especially from the recent waves of arrivals, actually perform in the labor market and how this performance changes over time has been sparse.<sup>15</sup> Furthermore, to guide policy, it is important to understand the potential contribution of concrete interventions. Below, we aim at filling these gaps by providing the newest evidence from Germany.

#### Macro level: Labor market outcomes of refugees in Germany

Roughly 1.1 million refugees arrived in Germany during 2015 and 2016. Based on the number of asylum applications (i.e. not counting ethnic Germans fleeing from East to West Germany), this was the largest inflow of refugees into Germany since at least the early 1950s. This subsection provides a snapshot of the current labor market situation of these recently arrived refugees in Germany.

#### Data

Since July 2016, refugees can be observed directly in the unemployment statistics of the Federal Employment Agency. Before, the number of unemployed refugees had to be approximated by the number of unemployed non-European nationals of the main origin countries of recent refugees (henceforth, Asylum-8 countries).<sup>16</sup> Refugees remain unobservable in employment statistics, where we still use the approximation based on the country of origin.

#### Unemployed refugees

The number of jobless refugees seeking employment has risen sharply since the beginning of 2016 (Figure 3.10). The number of refugees registered as unemployed stood at 178,000 in February 2017. An additional 215,000 refugees participated in various labor market programs (integration courses offered by the Federal Office for

<sup>13</sup> Protection status (i.e. refugee protection or subsidiary protection) determines the length of the residence permit, rules for family reunification, and long-term residency, as well as access to the labor market.

<sup>14</sup> See Föti and Fromm (2016), Martin et al (2016) and Dumont et al. (2016).

<sup>15</sup> The full results from the first wave of the representative BAMF/IAB/SOEP survey of refugees, who arrived in Germany in 2013–15, should become available in fall 2017.

<sup>16</sup> The most recent refugees come from Afghanistan, Eritrea, Iraq, Iran, Nigeria, Pakistan, Somalia, and Syria.

Migration and Refugees; training measures offered by the Federal Employment Agency). As a result, the actual number of jobless refugees seeking employment stood at 393,000, which the Federal Employment Agency labels as “under-employed”.

Not all refugees registered as unemployed had already received a positive decision on their asylum application. While recognized refugees made up roughly 80 percent of the total, 18 percent had their asylum applications still pending and 2 percent had had their asylum applications rejected, but their expulsion from Germany had been temporarily suspended.

**Refugees in employment**

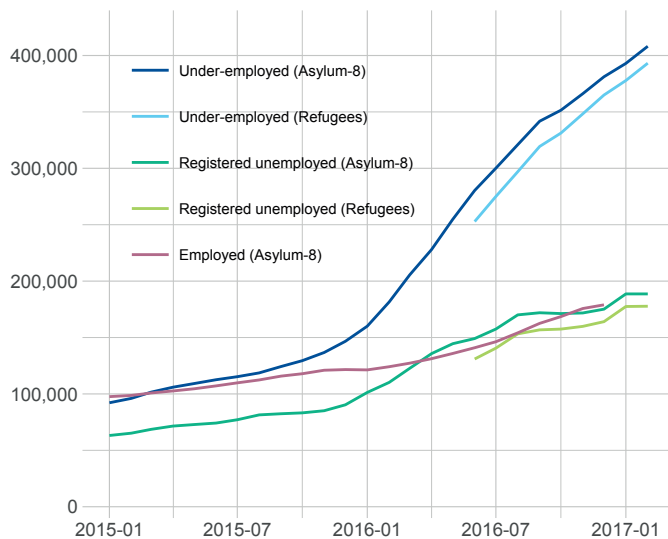
As mentioned, the number of employed refugees is not directly observable and therefore needs to be approximated by the number of employed nationals of the main non-European countries of origin of current refugees. In December 2016, 179,000 nationals of these countries either held a job subject to social security or a mini-job.<sup>17</sup> However, this number includes not only refugees from the recent wave, but also those who have lived in Germany for a long time. The change in employment may, thus, provide more relevant information: between December 2015 and December 2016, the number of employed nationals of Asylum-8 countries increased by only 57,000.<sup>18</sup>

A recent representative survey among 2,350 refugees who arrived in Germany between January 2013 and January 2016 provides additional information on the labor market situation of current refugees (Brücker et al. 2016a). According to this survey, 14 percent of refugees aged 18 to 65 were in employment; of these, 32 percent were full-time employees, 21 percent part-time employees, and 24 percent were interns, trainees, or apprentices.

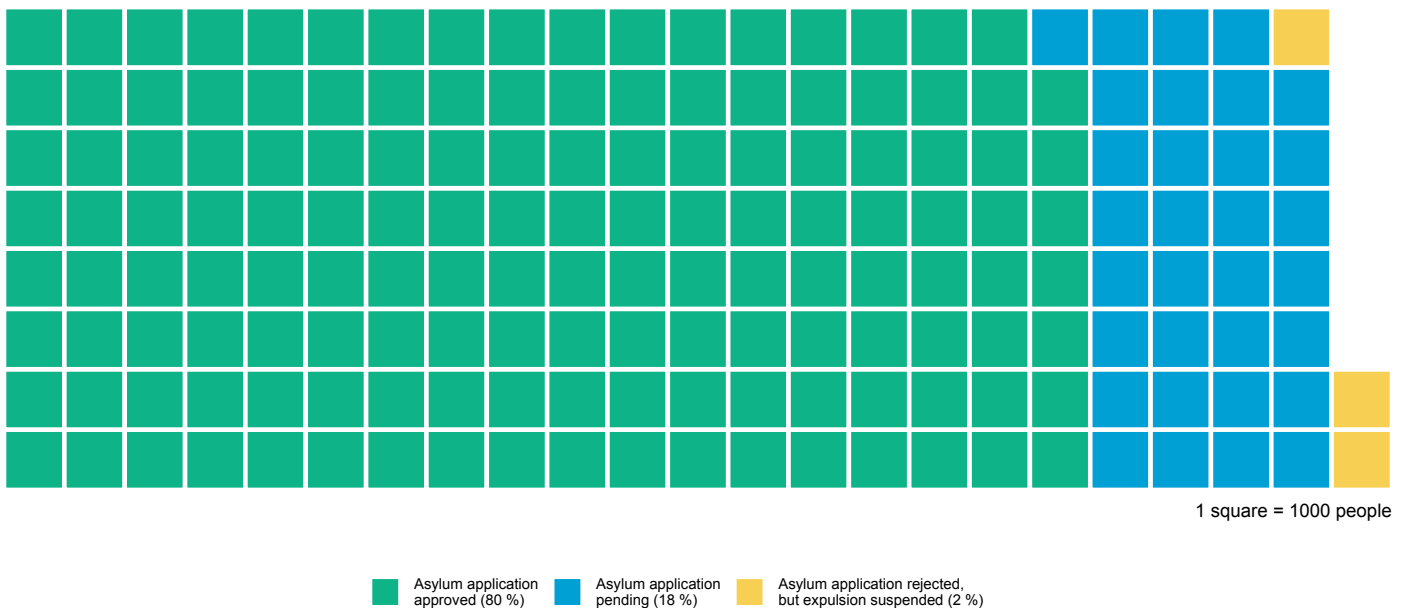
Moreover, this survey confirms earlier estimates of the speed of labor market integration of refugees, which were based on representative surveys among refugees who have arrived in Germany since 1995. As those refugees differed from the recent ones in terms of their countries of origin and socioeconomic characteristics, it was questionable whether their historic integration experiences could be applied to the recent cohort of refugees. In the year of arrival, only 10 percent of refugees of working age find employment (Figure 3.11). The employment rate increases subsequently, reaching 50 percent after 5 years, 60 percent after 10 years, and 70 percent after 15 years. As on average in the EU (recall Figure 3.7), labor market integration

<sup>17</sup> Mini-jobs are jobs earning not more than €450 per month.  
<sup>18</sup> It is reasonable to assume that hardly any refugees who arrived in Germany in 2015 found employment before December 2015, due to lengthy registration and asylum-application procedures as well as the employment ban during the first three months after registration.

**Figure 3.10 Recent refugees in the German labor market**



**Composition of registered unemployed refugees, February 2017**



Sources: Own calculations based on Bundesagentur für Arbeit, Migrations-Monitor Arbeitsmarkt and Auswirkungen der Migration auf den deutschen Arbeitsmarkt (Federal Employment Agency, Migration Monitor and Effects of Migration on the German Labor Market).

for refugees in Germany is markedly slower than for other immigrants. It takes roughly 15 years for refugees to reach the employment rate of other immigrants, which in turn remains below the employment rate of the host population even in the long term.

### Projection of labor market outcomes

By applying the historical speed of labor market integration to refugees from the recent wave, one can derive a projection for the number of jobless and employed refugees over the medium term.<sup>19</sup> To focus on the labor market integration of those refugees who arrived in 2015–16, we assume no further immigration of refugees from 2017 onwards. Of the 1.1 million refugees who filed an asylum application in 2015 and 2016, 70 percent were of working age (16–65). In line with the estimations of the Federal Employment Agency, we assume a participation rate of 75 percent. In January 2017, there were still 385,000 pending asylum applications. Consistent with the recognition rates in 2015 and 2016, we assume that 50 percent of applicants will receive a positive decision (i.e. refugee status or subsidiary protection). Asylum seekers whose applications are rejected do not make up part of the labor force. Finally, to replicate the speed of labor market integration observed in the past, we implement a monthly job-finding rate for jobless refugees of 1.5 percent and 2 percent, respectively (see Figure 3.11).

Under these assumptions, the number of jobless refugees - either registered as unemployed or in labor market measures - continues to increase in 2017 as the remaining asylum applications are processed (see Figure 3.12 below). Starting in 2018, the number of jobless refugees declines gradually as a given fraction of refugees find employment every month. By 2021, more refugees are expected to be employed than jobless. Nevertheless, of the 514,000 ref-

ugees who enter the labor force, there are still between 164,000 and 208,000 unemployed refugees (depending on the assumed job-finding rate) in 2021. With respect to the refugee cohort that arrived between 2015 and 2016, this corresponds to an unemployment rate of between 32 and 41 percent.

Given the current number of refugees in Germany, their projected unemployment duration might result in a noticeable fiscal burden, as unemployed refugees are entitled to basic income support (ALG2). Our simulation exercise demonstrates that a relatively small increase in the monthly job finding rate - from 1.5 to 2 percent - over the five-year horizon results in a large difference in the number of unemployed refugees and, consequently, in the amount of public expenditure. This justifies investment in policy interventions that could accelerate the labor market entry of refugees.

### Micro level: Refugees' first steps into the labor market, evidence from Munich

To draw concrete policy recommendations, it is necessary to understand the job search process of refugees at a micro level: Which job search strategies do refugees initially adopt and what do they perceive as the main obstacles? How does the job search process change over time? Which interventions can facilitate its success? We present the results of a panel survey conducted among asylum-seekers and recognized refugees looking for work. The data were collected in Munich during May 2016 to April 2017 as part of the ongoing project "Economic and Social Integration of Refugees in Munich: Evidence from a Field Experiment".<sup>20</sup>

#### Set-up

The survey participants are asylum seekers and refugees who arrived in Munich in 2015–16. The baseline survey took place during counseling sessions organized by a Munich-based non-governmental organization (NGO) that helps refugees to enter the German labor market. During the counseling sessions, all participants received basic information about job search in Germany as well as a CV in a standard German format, which they could forward later to an employer or a job center. The baseline survey questions focused on job search behavior, job preferences, and expectations. Around six months after the baseline survey, the interviewers re-contacted the participants to ask about their current employment status and experience with the German labor market, and, if applicable, to update information on their job search process. As of April 10, 2017, the research team had completed 338 baseline and 197 follow-up surveys.

The survey participants are predominantly young unmarried men (see Table 3.2). Two-thirds come from three countries of origin: Nigeria, Syria, and Afghanistan. On average, the survey participants have 11 years of schooling; 51 percent graduated from a middle or a high school and 28 percent have attended a university. Only 4 percent of the participants have no formal education. Thus, compared with the recent representative survey of asylum seekers and refugees in Germany (Brücker et al. 2016a), the sample of job seekers is somewhat positively selected.<sup>21</sup>

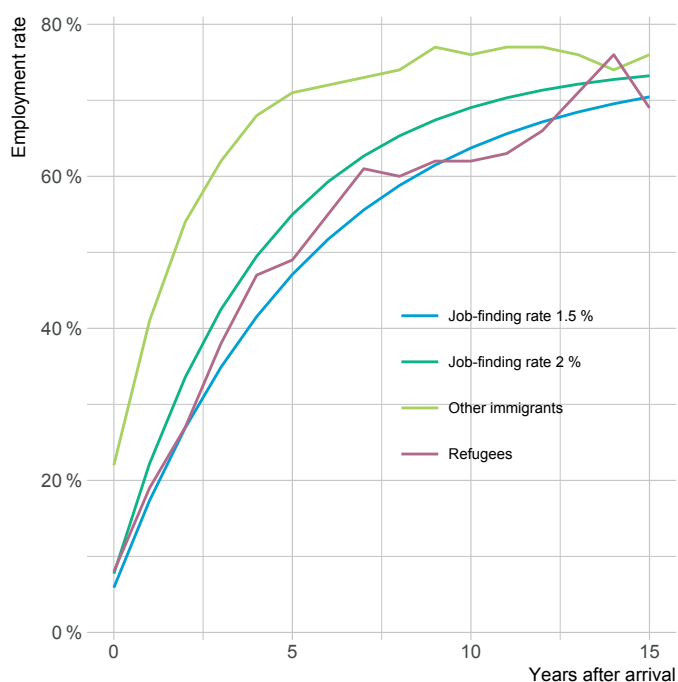
There are also substantial differences among participants from different countries, with Syrian job seekers

<sup>19</sup> We choose a projection horizon until 2021, as this currently corresponds to the horizon of the medium-term macroeconomic projections of the Kiel Institute and other institutions like the European Commission.

<sup>20</sup> The project is being undertaken by a team of researchers from the Ifo Institute (Munich) and CEPS (Brussels) and supported by the Stiftung Mercator. Since the data collection within the project is still under way (until September 2017), the results presented are preliminary. For more information on the study design and survey questionnaires, as well as for the updated results, see <http://www.medam-migration.eu/en/archive/projects/the-economic-and-social-integration-of-refugees-in-germany>.

<sup>21</sup> On average, 9 percent of the BAMF/IAB/SOEP survey participants have no formal education, 58 percent graduated from a middle or high school, and 19 percent attended a university.

**Figure 3.11** Historical employment rates of refugees and other immigrants in Germany



Sources: Own calculations based on Brücker et al. (2016b: Figure 5).

standing out for their higher education credentials; they are also older and more likely to have a family compared with participants from other countries.

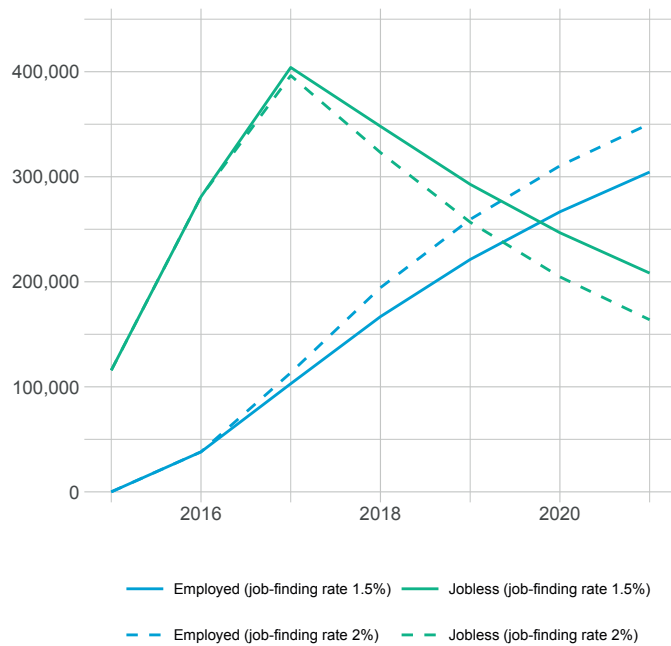
When interpreting and extrapolating the survey results, it is important to keep in mind that the sample is not representative of all refugees. The participants attend the NGO’s sessions voluntarily and thus reveal themselves to be active job seekers. On the one hand, their motivation to find work and invest in destination-specific skills is probably higher relative to refugees who never visit the NGO. On the other hand, by coming to an NGO’s counseling session, refugees also reveal that they need support in the job search, beyond what is provided by the public employment services. Furthermore, conditions for labor market integration in Munich are more favorable than in other German (and European) cities. The unemployment rate is one of the lowest in Germany (4.5 percent in September 2015 and 3.9 percent in December 2016). In addition, even prior to the inflow of asylum seekers in 2015–16, Munich had already hosted a large share of foreign nationals – 25 percent of the city population at the beginning of 2015. Hence, the local population in Munich is likely to have more positive attitudes toward newcomers. Together, these factors imply that the survey results might differ from a representative German or European case.

Yet, analyzing such a selective immigrant sample in a favorable environment also brings an important benefit. It enables identification of obstacles to labor market integration other than low economic activity among refugees in general or weak local labor markets. In other words, there is labor supply by immigrants who are willing to work, as well as labor demand from local firms. The policy-relevant questions are what hinders successful matching between the supply and the demand and which policies can efficiently address this problem.

**“Have you already started looking for jobs?” – “Don’t know where to start...”**

On average, the participants attend an NGO’s counseling session nine months after they arrive in Germany. Most of them have not yet completed the asylum procedure. While about 10 percent of the participants have had some working experience in Germany, 50 percent state that they have not yet started to actively search for jobs. Partly, this is due to restrictive regulations: in Germany, asylum seekers can obtain a work permit three months after arrival; only with a work permit can they register at a local job center. Thus, for many immigrants, receiving the legal permission marks the start of the search process. The absence of a work permit could explain inactivity for 20 percent of the participants (those who arrived in Germany less than four months ago as of the day of the baseline survey). Other reasons that might hinder the beginning of job search include uncertainty about housing due to probable relocation within Germany, participation in full-day German language or integration classes, insufficient knowledge of the language and procedures. Indeed, 55 percent of the participants consider “insufficient language skills” as the main difficulty in their job search (Figure 3.13, panel b, below). On the day of the baseline survey, only 11 percent of the participants spoke German at the B1 level or above. Knowing English at the B1 level or above does not alleviate the relevance of language barriers. As another major difficulty, 28 percent of the parti-

**Figure 3.12 Medium-term projection for labor market outcomes of recent refugees in Germany**



Sources: Own calculations.

icipants mention “complicated job search process – do not know where to search”. For instance, the low registration rate with the local public employment services (Munich job center) illustrates immigrants’ low familiarity with the available support measures.

Regarding job search methods (Figure 3.13, panel a, below), 22 percent of job seekers rely on their friends. Finding a job with the help of a social network (friends, relatives, or acquaintances) is also the most prevalent method among economic immigrants.<sup>22</sup> Refugees, however, might lack the necessary social networks and, therefore, additionally resort to their first local contacts for support with the job search. Thus, among survey participants, 18 percent mention receiving such support from social workers and 6 percent from their teachers. About 20 percent of respondents directly approach employers. Relatively few participants search with the help of the public employment services: while 24 percent of respondents are registered at the Munich job center, only 16 percent mention it among their job search methods. Online job search is relatively uncommon, with less than 20 percent of job seekers reporting that they use it. This figure, however, masks substantial heterogeneity among participants from different countries of origin: while almost 50 percent of Syrians use the Internet for their job search, slightly more than 10 percent of job seekers from other countries search for work online.

**Six months later: More search activity and a change in search methods**

As the results of the follow-up survey show (see Figure 3.14, below), search activity by the participants rose over the six months that passed between the two surveys. The

<sup>22</sup> On average in the EU, 43 percent of economic immigrants report this method as the most successful for finding a job (Tanay et al. 2016).

**Table 3.2 Survey participants: Characteristics at the time of the baseline survey**

	Afghanistan	Nigeria	Syria	rest Africa	rest Asia	Total
Female	5%	7%	3%	9%	4%	6%
Age	24	28	31	26	30	28
Married	22%	21%	31%	20%	31%	25%
Months since arrival	8	6	13	8	9	9
Attended university	27%	8%	57%	18%	37%	28%
No formal education	3%	6%	0%	9%	4%	4%
German, >= B1	14%	2%	23%	8%	10%	11%
English, >= B1	10%	67%	34%	59%	39%	44%
Registered at PES	29%	20%	32%	11%	33%	24%
Return intention	28%	27%	45%	24%	27%	30%
Observations	59	90	74	66	49	338

Sources: Data collected from May 2016 to April 2017 for the project “Economic and Social Integration of Refugees in Munich: Evidence from a Field Experiment”, Ifo Institute (Munich) and CEPS (Brussels). Note: PES refers to public employment service.

share of job seekers registered with the public employment service has increased by 11 percentage points; the average amount of weekly hours spent on job search has grown from 1.7 to 4 hours. By the time of the second survey, around 50 percent of participants have already been in contact with a German employer for work, a job offer, interview, or an informal meeting.

The increase in search activity could in part be explained by completion of the bureaucratic procedures: some participants have obtained their work permit.<sup>23</sup> In addition, job search strategies have changed. More job seekers mention using the Internet for their job search or receiving support from the job center. As the immigrants’ own social networks expand over time, more job support is provided through friends, while assistance from a social worker or a teacher becomes less relevant. The change in

reported difficulties reflects the fact that the participants have become more familiar with how one may search for a job in Germany. The language barrier remains the major issue, its importance slightly decreases as the participants progress in learning German.

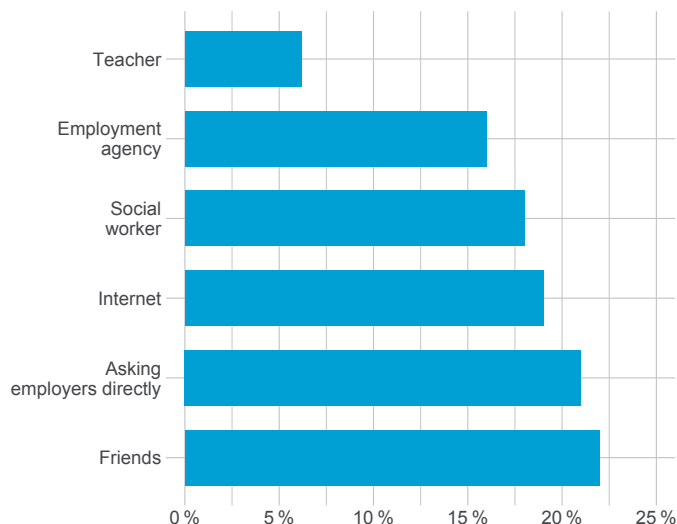
**Labor market integration: First results**

On the day of the follow-up survey, out of 197 respondents, 24 percent were working. Among the employed, 45 percent had a full-time job, 30 percent had a mini-job, and 25 percent had an internship or were taking part in a vocational training program. Consistent with the reported search methods, 44 percent of job seekers had found jobs either through friends or by directly contacting the employer (see Figure 3.15 below). Fewer successful matches had come through social workers and the pub-

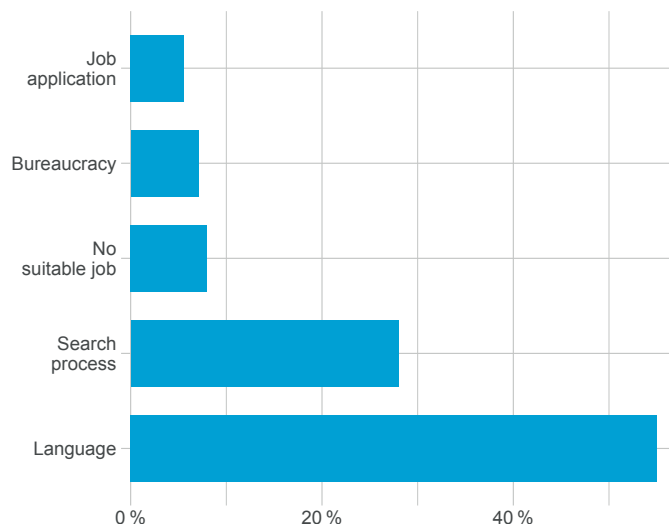
<sup>23</sup> Yet, as of the day of the follow-up interview, 70 percent of the participants still had not received a decision on their asylum claim. While the majority of Syrians (77 percent) had completed the procedure, more than 90 percent of the participants from Nigeria and Afghanistan were still waiting for the decision.

**Figure 3.13 Job search behavior at the time of the baseline survey**

**Method to look for work**



**Difficulties during job search**



Source: Data collected from May 2016 to April 2017 for the project “Economic and Social Integration of Refugees in Munich: Evidence from a Field Experiment”, Ifo Institute (Munich) and CEPS (Brussels). Note: based on 338 completed baseline surveys.

lic employment services. Around 18 percent had obtained their jobs through the personalized matching services provided by the NGO.

In addition to those currently working, about 10 percent of the participants had received job offers, but eventually declined them. The three primary reasons for refusing an offer were bureaucratic issues (such as not obtaining the timely approval of the employment office or recall of a work permit), conflicting time with a German language/integration course, and a low wage.

Most of the jobs found are in the low- and middle-skill sectors: cleaning, bars/restaurants, and personal care account for almost two-thirds of all jobs. These jobs do not require advanced knowledge of German, and the conventional search methods, such as a social network, should perform well. Not surprisingly, the employment rate of highly skilled job seekers (those who at least started a university degree) is lower compared with other participants. The rate of contacting employers for an interview, by contrast, is higher for the highly skilled. It takes longer for highly skilled refugees to find a job that matches their qualifications. This could be due to suboptimal social networks and search methods, and as a result, more severe matching frictions. Furthermore, highly skilled job seekers face higher opportunity costs of accepting a low-paying job instead of improving their language skills or investing time in further education. Consequently, in the short term, the labor market performance (if measured by working status) of highly skilled refugees might appear inferior to that of the low-skilled.

**Evaluating the determinants of labor market integration: The role of matching frictions**

While multiple policies can be designed to facilitate the labor market integration of refugees, resource constraints compel policy makers to identify those areas where policy interventions are most efficient. Although the descrip-

tive survey results provide some interesting insights about the job search behavior of refugees and its development over time, they do not allow identification of the causal mechanisms behind successful labor market integration. For instance, if many job seekers name ‘language’ as their main difficulty, should the government provide more language courses or rather train intermediaries to efficiently explain the search procedures? If it takes a long time for highly skilled immigrants to find a job, does this call for massive investment in retraining them or for a faster recognition of their qualifications? Or could better support during the job search process improve their outcomes?

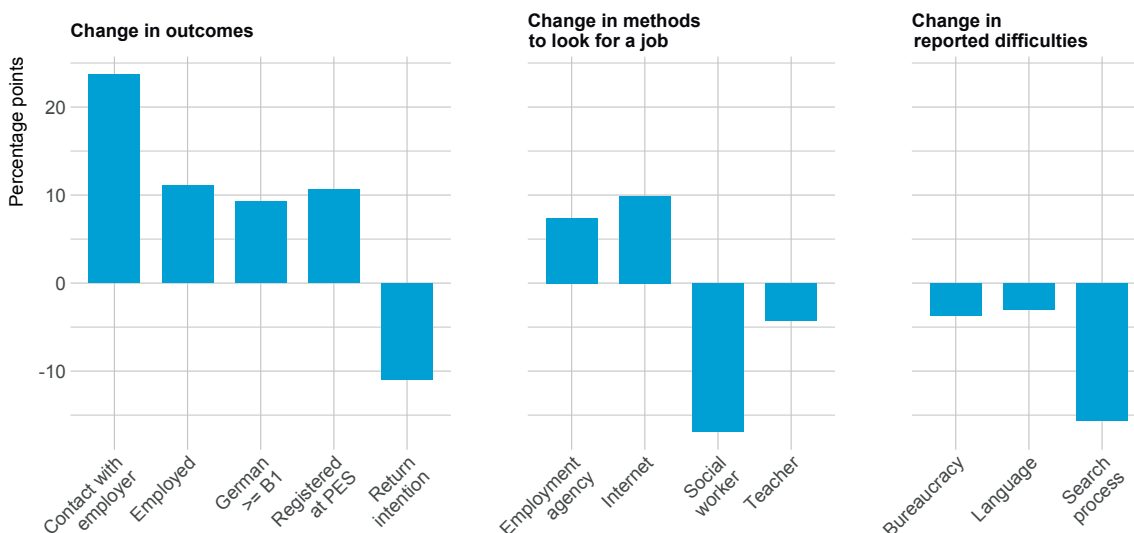
Apart from providing survey evidence, the project applies an experimental design to evaluate the importance of matching frictions for the labor market integration of refugees. In a nutshell, the project design allows for the causal evaluation of the NGO’s personalized matching services. During the counseling sessions, the NGO’s volunteers enter the participants’ CV information into their database of job candidates. In addition, the NGO maintains a database of job vacancies. Once the NGO volunteers identify a potential match, they inform a job seeker about it and, if agreed, send the CV to the employer. In this way, the NGO attempts to reduce a matching friction between job seekers and employers: the intervention may improve participants’ labor market outcomes by creating awareness of job opportunities, reducing search time, enhancing match quality, or serving as an indirect referral to employers. Moreover, during the interview and hiring process, the NGO can provide all the participants as well as their potential employers with informational support.

Figure 3.16 (panel a, below) illustrates the preliminary experimental results.<sup>24</sup> As a relevant outcome, we choose the incidence of being in contact with a German employer for an interview, job offer, or work.<sup>25</sup> The light green bar plots the mean outcome of those participants who were offered all of the NGO’s services, including job match-

<sup>24</sup> As of April 10, 2017, the re-search group had contacted about 40 percent of the study’s participants for the follow-up survey, i.e. those who had participated in the NGO’s counseling sessions before October 10, 2016.

<sup>25</sup> There are two reasons for this choice. First, this is the relevant outcome to evaluate the extent of matching frictions that prevent job seekers and employers from meeting in the labor market. Second, the period of six months (between the baseline and the first follow-up survey) is too short to evaluate the effect of the intervention on working status; this will become possible in later surveys, which will follow in 2017 and 2018.

**Figure 3.14 Outcomes and job search behavior at the time of the follow-up survey**



Source: Data collected from May 2016 to April 2017 for the project ‘Economic and Social Integration of Refugees in Munich: Evidence from a Field Experiment’, Ifo Institute (Munich) and CEPS (Brussels). Note: based on 135 observations with both baseline and follow-up surveys completed.

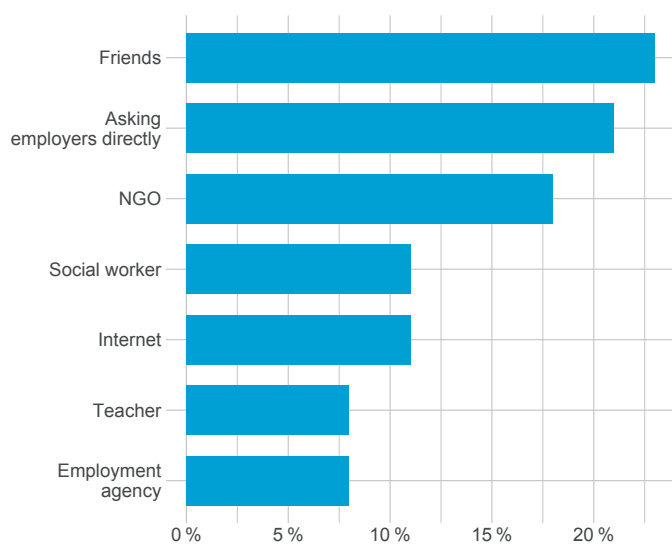
ing. The purple bar on the right side plots the mean outcome of those who were offered all services except for the direct matching with employers. Among the participants who had no access to matching services, 34 percent had contacted a German employer within the previous six months. Among those who could, in addition, receive matching services, the contact rate was 44 percent. To interpret this result, consider two job seekers who differ only in their access to the matching services: within the six months between the baseline and follow-up surveys, the probability of having a work-related contact with a German employer is 10 percentage points higher for a job seeker who receives matching support.

To put this result into context, we consider the same outcome but now compare it among participants from different countries of origin (Figure 3.16, panel b).<sup>26</sup> The green bar plots the mean outcome for Syrian job seekers and the blue bar corresponds to the mean outcome of the participants from other countries. Relative to refugees from other countries, Syrians are better educated; already at the time of the baseline survey, they have better German skills; they experience the fastest asylum procedures and the highest recognition rates; in addition, Syrian refugees have access to a wide range of integration support programs. As expected, the share of Syrians who have already contacted a German employer for work-related reasons is 19 percentage points higher. Comparing the outcome of Syrians with other refugees can serve as a rough evaluation of a hypothetical policy bundle that would simultaneously improve professional and language skills, accelerate administrative procedures, and offer integration courses.<sup>27</sup> However, such a policy bundle would be much costlier, both financially and in terms of the time spent by refugees, than provision of more efficient matching services. In this context, the NGO's matching services, which increased the likelihood of a work-related contact by 10 percentage points, appear to be an efficient intervention.

<sup>26</sup> The probability to receive matching services does not depend on the country of origin.

<sup>27</sup> It is very hard to precisely identify what drives differences in economic outcomes between immigrants from different origin countries. This difference might be also caused by behavioral characteristics, migration motives, health issues, etc. Thus, we simplify when assuming that the observed difference between Syrians and other immigrants in the sample is primarily due to education background, language skills, and regulation.

**Figure 3.15 Successful methods of finding a job**



Source: Data collected from May 2016 to April 2017 for the project "Economic and Social Integration of Refugees in Munich: Evidence from a Field Experiment", Ifo Institute (Munich) and CEPS (Brussels).

Certainly not all contacts will result in long-term employment for refugees; reducing the initial matching frictions between refugees and local employers is only one step toward labor market integration. Further follow-up surveys of the study's participants will examine whether facilitating labor market entry for refugees through matching services effectively increases their employment rates and job quality in the medium and long run.

### Policy implications

Our micro-level study follows the labor market integration of refugees in the first months after their arrival in Germany. It confirms that economic integration of the recent wave of refugees is feasible, but does not happen fast. A simple calculation exercise shows that the employment rates in our sample are in line with those found in the previous macro studies. On average, the follow-up survey takes place 15 months after a participant arrived in Germany. Assuming a uniform job-finding rate during these 15 months, the average monthly job-finding rate equals 1-2 percent (depending on whether we solely consider full-time jobs or all types of employment). This is broadly in line with our assumptions in the macro-level simulation exercise above. From the micro-level evidence presented, three useful observations emerge.

First, refugees do not enter the labor market immediately after their arrival. During the first few months, economic participation is low due to restrictive regulation and lack of information about the local job search process. During this period, providing relevant information about job search procedures, available support measures, and efficient job search methods can increase the economic activity of immigrants. One way to disseminate such information systematically is through the local individuals who are usually in regular contact with refugees in the early stages: social workers and language teachers.

Second, a lack of skills, particularly local language skills, represents an obstacle for labor market integration. Yet, the employment prospects of refugees also depend on frictions in job matching, i.e. on whether job seekers can come into contact with employers who are trying to fill a vacancy. Overcoming these frictions through personalized matching services by public or private employment agencies may facilitate early entry into the labor market. Apart from identifying potential matches, the intermediaries need to ensure support throughout the job search process and to communicate the essential information to both job seekers and local employers. Therefore, such matching services have to be delivered by professionals who know the relevant administrative procedures.

Third, job search skills develop over time as immigrants learn about efficient job search methods from their own experience. Hence, refugees should be encouraged to start their job search early (for instance, while they are still in language classes or waiting for an asylum decision). This would allow them to acquire the necessary job search skills faster and thus to reduce the 'idle' period during which their professional qualifications might depreciate.

The existing empirical evidence points to the importance of early access to the labor market for refugees. In practice, however, refugees enter the labor market with a delay. Most EU member states impose restrictions on labor mar-

ket access for asylum seekers before their refugee status is recognized. While such measures are supposed to deter would-be economic migrants from entering as asylum seekers, they are costly in the long run because they lower incentives for both refugees and firms to invest in job relationships early on. Moreover, the asylum procedure may drag on for several years. With no access to work, immigrants in such a precarious situation represent a burden for the public budget and might be more likely to engage in illegal activities.

Reducing the duration of the asylum process is the practical policy option to address the above problem. Still, in case the asylum procedures do take a long time, there is a strong case for granting asylum seekers access to work. The pertinent question is whether such a policy would attract more illegal migrants to the country. The existing empirical evidence, however, points to reception policies (which include early access to work) having only marginal significance with respect to the number of asylum applications in a particular country (Hatton 2016).

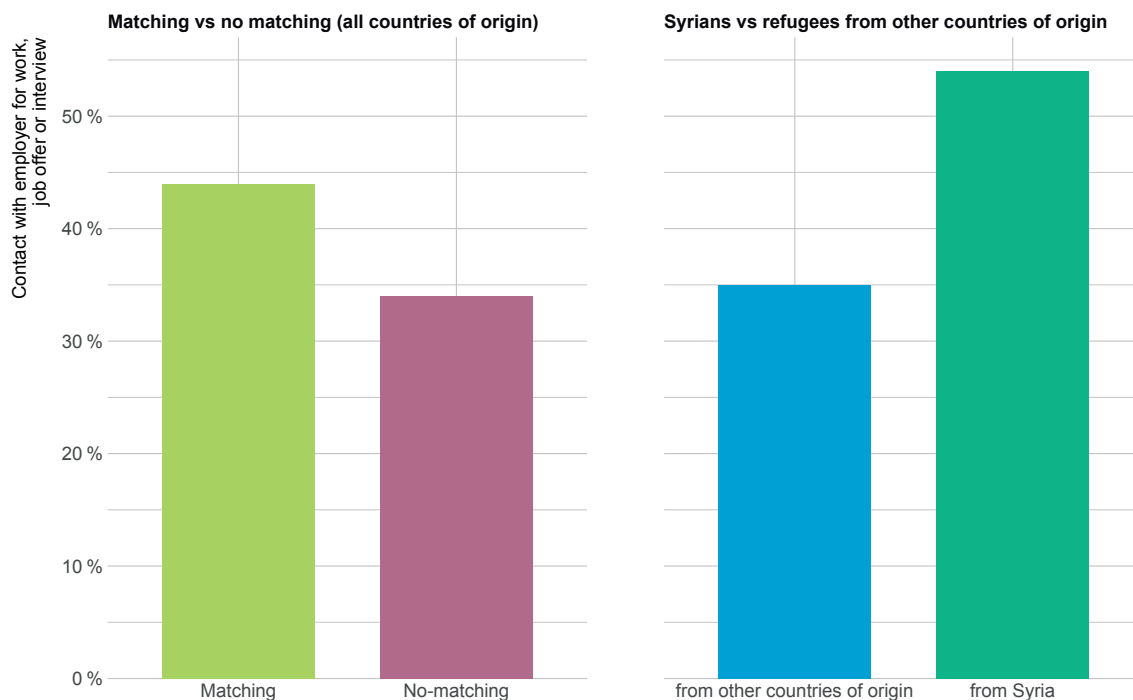
Yet, allowing access to work for asylum seekers leads to a more controversial question: Should an employed asylum seeker whose application has been rejected be allowed to continue to live and work in the host country? In other words, should there be an option for a status conversion from the ‘asylum track’ to the ‘labor migration track’ if an asylum seeker fulfills the requirements for the labor track?<sup>28</sup> On the one hand, such a status conversion facilitates labor market integration due to reduced uncertainty for both refugees and local firms. The possibility of status conversion makes early job search more attractive for asy-

lum seekers, because with a job, they may be able to stay in the destination country even if their asylum application is rejected. Additionally, local firms would face a lower risk of losing workers due to negative asylum decisions and hence would be more willing to employ asylum seekers. On the other hand, allowing for status conversion may attract higher numbers of irregular migrants driven primarily by economic rather than humanitarian motives.

Because individual member states can best evaluate their benefits and costs associated with this trade-off, they should decide whether to allow for such status conversion. For instance, if the country-specific costs of refugees’ unemployment duration are high or the return of rejected asylum seekers is difficult to enforce, status conversion might be a reasonable option. A long-term solution, however, should safeguard against mixing economic and humanitarian migration, while addressing the roots of the above trade-off: long asylum procedures, costly return, and a lack of alternative entry options for economic migrants. As discussed in Chapter 2, a coordinated EU approach to managing external border areas, screening and registering asylum applications, and ensuring fast return would make irregular migration for economic motives less attractive. In addition, these measures would allow for faster asylum procedures in the host countries and, hence would shorten the uncertainty period for refugees and the local firms. Simultaneously providing more opportunities for legal migration (that correspond to the needs of economies) and communicating these opportunities to potential economic migrants would encourage them to choose legal paths to migration.

<sup>28</sup> For instance, Sweden currently allows for such a conversion: if an asylum application is rejected, the employer of an asylum seeker, subject to a number of conditions, can sponsor the application for a work permit. In Germany, a ‘three + two’ rule guarantees up to five years of residency (independent of an asylum decision) for those who receive a credible apprenticeship contract with a German employer and meet the necessary language requirements.

**Figure 3.16 Outcomes and job search behavior at the time of the follow-up survey**



Source: Data collected from May 2016 to April 2017 for the project ‘Economic and Social Integration of Refugees in Munich: Evidence from a Field Experiment’, Ifo Institute (Munich) and CEPS (Brussels). Note: based on 135 observations with both baseline and follow-up surveys completed.