

Asylum Seekers: An Untapped Resource in the European Labour Market?

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The 'Lampedusa Dilemma':
Global Flows and Closed Borders.
What should Europe do?
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MOTIVATION

The **EUI Forum on Migration, Citizenship and Demography** is a joint initiative by the four departments of the EUI, the Robert Schuman Centre for Advanced Studies and the Max Weber Programme. It brings together critical analysis, informed debate and policy recommendations from the wider field of citizenship and democracy, demography, migration and asylum governance, and the management of cultural diversity.

Professor Anna Triandafyllidou is the Scientific Organiser of the Forum's Inaugural Event: The 2014 Conference on the Lampedusa Dilemma.

Policy experts and scholars from a variety of disciplines will share their views on migration governance, human rights, asylum-seeking and international protection, as well as irregular migration.

The Lampedusa disaster of October 2013 demonstrates the dramatic events taking place in the Mediterranean area which require urgent, forward-looking and well-thought out responses.

Europe has been witnessing a dramatic surge in the number refugees: in the first six months of 2014, an estimated 330,700 new asylum applications (of those 264,000 in Europe) were recorded, about 24% more than in 2013.

While the recent surge is a consequence of renewed political and military conflicts in the Middle East and other parts of Africa, there are good reasons to believe that the flow of immigrants to Europe is not going to subside any time soon.

One reason is the notorious instability of the political system in Africa and the Middle East which pushes large numbers of people to emigrate. The second reason is that economic pull factors create large incentives to migrate to Europe – whether as legal or illegal immigrant or as refugee. If the history of immigration from Europe to the US during the 19th century is any indication, large wage gaps between Europe and the US then and Europe and Africa now will continue to attract mostly young migrants to cross the Mediterranean or enter Europe through other means in search of a better - and safer - life (Hatton and Williamson, 2002).

The starting point of this paper is the acknowledgement that migratory flows to Europe will remain and possibly even grow in the near future. The question is then how is Europe to deal with the migratory pressure? In principle, there are four policy options:

1. "Deterrence" (tougher border controls and/or asylum laws)
2. "Toleration" (treat asylum seekers as temporary immigrants)
3. "Integration" (improve conditions for labor market integration in the host country)
4. "Stability" (reduce migration flows and refugees by supporting the source countries)

For good reasons, deterrence especially of refugees is heavily criticized from a humanitarian perspective. Supporting source countries in building more

stable political and economic systems is certainly desirable, but can only be considered a realistic goal in the long-run. Instead, European governments should invest more in fostering economic integration of refugees in European labor markets rather than treating refugees as temporary burden to be tolerated.

One rationale for such a policy shift is the reality of being a refugee in the 21st century. According to the UNHCR, the average duration of exile for those in protracted refugee situations worldwide increased from nine years in 1993 to 17 years in 2003 and is now approaching more than 20 years (UNHCR, 2006, p. 109).¹ Similar evidence comes from a study of return migration in Sweden. Klinthäll (2006) shows that refugees in Sweden have very low return rates, especially if compared to economic migrants from other Nordic. Refugees arriving prior to 1985 had annual return rates of up to 4%: this return rate declined even further to 1% for refugees arriving between 1985 and 1990. Hence, being a refugee is not a temporary state but rather a long-term phenomenon spanning in some cases several generations.

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These facts suggest that European governments are well advised to think of refugees as a resource rather than a burden. So, what can be learned from the existing evidence on the economic integration of refugees and how can governments in Europe improve the assimilation process?

HOW DO REFUGEES COMPARE TO OTHER IMMIGRANTS?

To understand the situation of refugees compared to other immigrants in the host country, it is important to be aware of the differences between the two groups. Refugees and those applying for asylum in Europe are typically younger than the population in the source country and even younger than the population in the host country. Most refugees are prime-aged (18-59), very few are aged 60 or above; in recent years, there are increasingly more refugees under age 18, often as unaccompanied minors (UNHCR, 2013).

It is more difficult to place refugees in the educational distribution relative to other immigrants. While political activists and those prosecuted for political reasons in the source country often have university or even postgraduate degrees, individuals displaced by civil war, ethnic or religious conflicts may be from all parts of the educational distribution. For the Netherlands, for example, refugees from some countries (e.g. Sudan, Iran or Iraq) are typically highly skilled, while others (e.g. from China or Somalia) have only basic or no formal education at all. How the education of the refugee compares to those of other immigrants will also depend on the selection of regular immigrants into a host country (see Juan Dolado's policy brief for this conference). As a consequence of these selection processes, refugees might have more or less education than the average immigrant in the host country while immigrants on average have less education than the average citizen of the EU.

Both factors - worse language proficiency and potentially traumatic experiences - are likely to reduce the chances of rapid assimilation in the host country's labor market.

Another important difference is that the command of the host country's language is often lower among refugees than among other immigrants (see De Voretz et al., 2004 for evidence from Canada). This result is not too surprising given that refugees did typically not plan to leave their country and often could not plan where they would end up as a refugee. Finally,

refugees have often had traumatic experiences related to war, internal conflict, violence and prosecution. Both factors - worse language proficiency and potentially traumatic experiences - are likely to reduce the chances of rapid assimilation in the host country's labor market.

IMMIGRATION AND ASSIMILATION

Average immigrant has lower employment rates and lower earnings than natives

As is well known that the average immigrant has lower employment rates and lower earnings than natives as they lack country-specific skills (especially language), social connections and networks to find a job or because their educational credentials are discounted or not recognized in the destination country. With time in the destination country, immigrants typically acquire those necessary skills necessary to succeed in the labor market. Therefore, immigrants catch up to natives and especially earlier waves of immigrants in terms of employment and earnings.

Yet, the rates of assimilation vary a lot across countries of origin and also vary with the current economic conditions upon arrival in the host country. Immigrants who arrive during recessions or in labor markets with few economic opportunities have a much harder time to find jobs and catch up to natives than immigrants arriving during an economic boom or periods of sustained economic growth (e.g. Bratsberg et al., 2005).

HOW DO REFUGEES FARE IN TRADITIONAL IMMIGRATION COUNTRIES?

United States and Canada pursue a strategy that considers refugees long-term residents

The United States and Canada pursue a strategy that considers refugees long-term residents and attempts to integrate them into the labor market as fast as possible. Both countries grant permanent residence to refugees (in the US via a green card application after one year) and provide a work permit almost immediately (in Canada, refugees typically participate in educational and language courses during the first six months). As such, they provide an interesting benchmark and possibly role model for the European experience.

Cortes (2004) studies refugees arriving in the United States between 1975 and 1980 using Census data. Refugees admitted to the US had on average more education than economic immigrants. During the first years of residence in the US, refugees have lower employment rates and earnings than economic immigrants. The picture has completely changed after another decade in the US. Annual earnings of refugees grow faster over time than those of economic immigrants. About two-thirds of the faster growth in earnings is explained by a rise in hours worked among refugees, while one-third is attributable to growth in hourly wages. Hence, refugees' earnings catch up more to the native population and previous immigrant waves than the earnings of the average economic immigrant. This faster assimilation process cannot be explained by differences in the countries of origin as the author corrects for differences in the distribution of countries of origin between refugees and immigrants.

But why would refugees perform better than other immigrants in the host country after an initial adjustment period? The main argument is that refugees conceive the host country as their new permanent residence, while

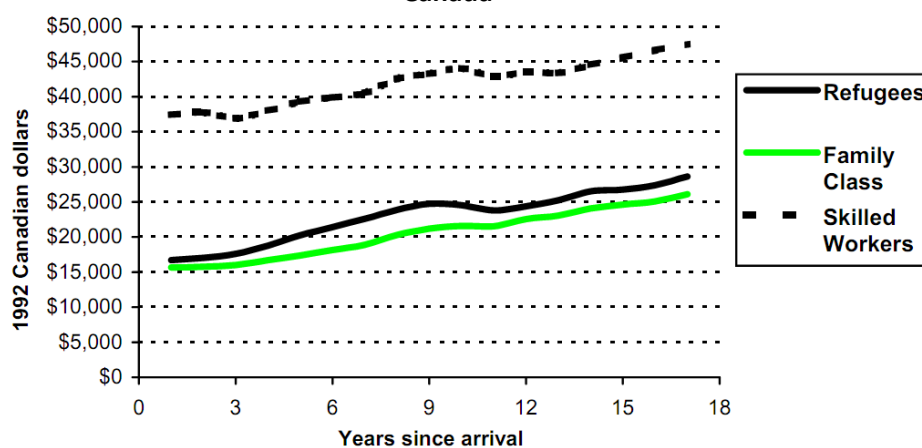
economic migrants may actually return after a few years to their country of origin. The longer time horizon of refugees encourages refugees to invest more in obtaining the lacking country-specific skills which in turn results in faster earnings assimilation. One indication for this investment behavior is that refugees indeed improved their (self-assessed) language skills more than other immigrants with years in the US.

For Canada, the evidence for the labor market performance of refugees is more mixed. Given that Canada selects economic migrants based on a point system favoring very high-skilled individuals, it is more appropriate to compare the labor market performance of refugees to those of family migrant, i.e. individuals admitted to Canada on the basis of family ties. The educational distribution of refugees and family migrants is more comparable than for skilled migrants (where at least half have post-secondary education). Refugees from Europe are more skilled than family migrants from the same region: while half of refugees have a post-secondary education, only one-third of the family migrants do. The situation is different for immigrants from outside Europe: here, only 20% of refugees have post-secondary education, while 25% of family migrants.

Employment rates of prime-aged refugees are relatively low initially but increases to about 55% after four years in Canada. These labor force participation rates are similar to those of family migrants though lower than for regular economic immigrants admitted under the point system (Xue, 2008).

De Voretz et al. (2004) analyze refugees arriving in Canada over the period 1980-2001. They find that refugees who managed to find employment have similar or even higher earnings than family migrants (see Figure 1). In both cases, their earnings are well beyond the poverty level (defined in absolute terms as the share of income a family spends on food). Yet, there is a second group of refugees who performs much worse. They have a high incidence of social assistance receipt with a family income that is at or near the poverty level even several years after arriving in Canada.

Figure 1: Evolution of Earnings among Different Immigrant Groups in Canada



Source: DeVoretz, Pivnenko and Beiser (2004)

In sum, the distribution of income for refugees in Canada is truly bimodal: about half catch up to family migrants in terms of migrants (though earn less than the more educated economic migrants) while the other half has incomes close to the poverty level. Hence, whether refugees fared well in Canada's labor market seems closely tied to their employment prospects.

Importance of language skills for the successful integration of refugees into the labor market

Language barriers remain a serious problem even four years after landing in Canada: about 25% report language to be the major obstacle to finding employment. The importance of language skills for the successful integration of refugees into the labor market is confirmed by data from the Refugee Resettlement Project (RRP) in Canada. Beiser and Hou (2000) show that English proficiency substantially reduced unemployment and increased labor force participation over time.

HOW DO REFUGEES PERFORM IN THE EUROPEAN LABOUR MARKET?

We next turn to the (rather limited) evidence on the labor market performance of refugees in Europe. One issue is that few countries have information on visa category or refugee status in their labor market surveys or administrative data. The best available evidence comes from Sweden, a country with a long tradition of accepting substantial number of refugees. In 2008, Sweden admitted about 8.3 refugees per 1,000 population; in absolute terms, Sweden takes the largest number of refugees in Europe after Germany and France.

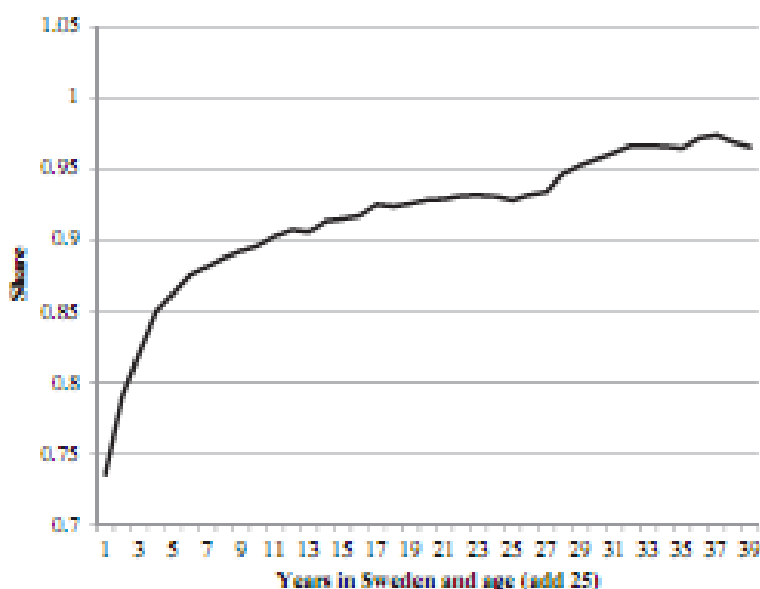
Refugees, persons under subsidiary or other protection are granted permanent residence status in Sweden

Like Canada and the United States, refugees, persons under subsidiary or other protection are granted permanent residence status in Sweden. In exceptional cases, the period of validity may be restricted but the permit is never valid for less than one year. Since the mid-1980s, refugees, after arriving in Sweden and applying for asylum, are assigned to a municipality where they remain in a refugee center in anticipation of a residence permit. Refugees were free to relocate if they found a place to live on their own or could stay with family or friends. For the first 18 months, refugees are put on welfare benefits in order to participate in language training and other introductory activities. However, the individual had the legal right to enter the labor market immediately after being given asylum (Aslund and Rooth, 2007). Before the mid-1980s, refugees were eligible for welfare but not automatically put on welfare and they could also choose their initial location with many immigrants choosing to live in the large cities. Edin et al. (2002) show that this policy shift in the mid-1980s worsened the labor market integration of refugees substantially: they had 20% lower earnings and a much higher likelihood to be on welfare even several years after obtaining their residence permit.

About 20% of refugees report some labor earnings in the year of arrival when they receive their residence permit, and close to 50% worked in the year after that (Aslund and Rooth, 2007). Compared to other immigrant groups, resettled refugees in Sweden have lower initial employment rates than immigrants who arrived for other reasons and. However, there is substantial catchup and after about 15 years, employment rates of refugees have converged to those of family migrants (Bevelander and Pendakur, 2009; Bevelander and Irastorza, 2014). Comparing labor force participation to

those of natives, employment gaps are initially around 27-28%, but decrease to 10% within 10 years in the host country. The employment gap between refugees and natives narrows over time though it never closes fully even after very long residence in Sweden (see Figure 2).

Figure 2: Employment Share of Refugees Relative to Natives in Sweden



Source: Lundborg, 2013

There are also large differences within the group of refugees. Refugees from East Europe and Latin America perform better than refugees from the Middle East and Northern Africa. Female refugees perform better relative to female natives than male refugees do to male natives. Moreover, the high skilled refugees perform better relative high skilled natives than low skilled refugees relative to low skilled natives. As in Canada, early establishment in the labor market is important for stable employment later on. Late entrance into the labor market often implies poor labor market performance in future as well (Rooth, 1999).

A final observation is that refugee cohorts that entered Sweden during the beginning of the recession (1990-91) had much lower first-year earnings compared to the other cohorts, but display relative earnings growth also during the worst crisis. Presumably, these groups were at such a low level that the only way was upward.

The skills of refugees may be less transferable than those of other immigrants

Evidence on the performance of refugees in other European countries is even more limited which is somewhat surprising given the large number of refugees admitted by countries like Germany and France for many years. For the Netherlands, Hartog and Zorlu (2009) found that the employment rates of refugees rose from only 15% after one year to around 33% after five years. They also found that having a basic education was associated with gains in employment and income but any additional education has little return in the Dutch labor market. Thus source country education seems to be of even less value to refugees than it is for other immigrants. The skills of refugees may be less transferable than those of other immigrants; or, educated refugees have even more trouble using their acquired skills due to language issues or problems with recognition of degrees.

For the UK, refugees earn less on average and have a higher average unemployment rate than immigrants from countries not associated with refugees. Male (female) non-white immigrants from refugee sending countries are 2.51 (4.61) percent more likely to be unemployed than those non-white immigrants from countries that are not classified as refugee sending countries (Lindley, 2002).

DISCUSSION AND POLICY IMPLICATIONS

What can we learn from the past experiences with refugee assimilation in these different countries? And how can integration be (further) improved in the future? The evidence from several countries shows that refugees perform worse in terms of employment and earnings compared to other immigrants after arrival. This gap in labor market performance even persists controlling for differences in demographics such as age, education level, and level of host country language acquisition. In the longer run however, refugees catch up to earlier immigrants – though the speed of assimilation is faster in some countries than in others.

To improve the economic integration of refugees, several goals could be pursued:

Important to provide refugees with a long-term perspective in the host country

- It would be important to provide refugees with a long-term perspective in the host country. Providing a secure environment and economic opportunities encourages refugees to invest in new human capital necessary to integrate into the new country. In many countries however, the asylum process is complex and takes several years which leaves refugees without legal security. Germany or France are prominent examples. Even when refugees are not granted asylum, many of them stay in Germany, for example, anyway because the crisis in the source country prohibits any repatriation efforts. As a result, many refugees only start looking for a more permanent job after several years which makes successful integration even more difficult.

Europe should support the rapid integration of refugees into the labor market

- Governments in Europe should support the rapid integration of refugees into the labor market. Evidence from Sweden in particular highlights that early employment is important for a stable employment history and ultimately higher earnings. Unfortunately, the current practice in many European countries is quite different. In Germany, the destination of the largest absolute numbers of refugees in Europe, refugees are prevented from working for at least 12 months.

Refugees should participate in language courses as early as possible

- Refugees should participate in language courses as early as possible. To link language acquisition to the labor market, vocationally-focused language courses with integrated work experience are the most promising. Several countries such as Norway, Finland or Canada offer such schemes. In addition to language skills, these courses also help to build soft skills such as relationships and increasing confidence – both of which are useful resources to find and keep a job in the new country (Ott, 2013).

Disclaimer: The views and opinions expressed in this paper are those of the authors and do not necessarily reflect those of the EUI's Forum, its constituent parties or scientific directors and organisers.

ENDNOTES

¹ Protracted displacement situations are those which have moved beyond the initial emergency phase but for which solutions do not exist in the foreseeable future.

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Building on a wealth of academic publications, policy papers, conferences and workshops, produced by EUI scholars in the wider field of citizenship and democracy, demography and migration management, cultural diversity and ways to address it, the Forum offers critical analysis, informed debate and policy recommendations.

Topics to be addressed by the Forum activities in the form of Oxford debates, policy workshops and academic conferences include:

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