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INSTITUTIONAL DIMENSIONS OF SUCCESSFUL LABOR MARKET INTEGRATION OF REFUGEES

RYAN BORN AND MAXIMILIAN SCHWEFER¹

In 2015, Europe witnessed an extraordinarily high number of asylum seekers. Germany alone registered an estimated 890,000 individuals as asylum seekers in its EASY system², corresponding to 1.1 percent of its total population (BMI 2016). With European natives facing this influx in addition to regular non-humanitarian migration, fears surfaced about the successful integration of those who stayed.

Europe, in particular Germany, is in need of innovative institutions to assure labor market integration. We argue that an extension of available integration support institutions to asylum seekers marks an important first step toward better integration.

This article begins by commenting on historic labor market integration in European countries, with a focus on Germany. Next, the article presents a selection of integration support institutions as put forward by the OECD and evaluates a selected group of countries. As part of the evaluation, this overview suggests further potential steps in order to ensure the successful integration of the current influx of asylum seekers.

Current migrant labor market integration of foreign-born population

Prior to the recent influx, overall labor market integration of the foreign-born population in Europe has been improving, with employment levels surpassing pre-crisis levels by the end of Q3 2014. Among its European peers, Germany achieved one of the highest migrant employment rates and one of the lowest risks of long-term unemployment for migrants (OECD 2015).

While overall this might seem encouraging in regard to prospects of integration, the current migrant influx

of refugees³ and asylum seekers into Europe is qualitatively and quantitatively different than previous inflows, with far more individuals who have far fewer resources. One driver of this trend is that forced migration does not allow for specific human capital investments prior to migration. Moreover, and compared to regular migration, asylum seekers often migrate to countries who accept them as opposed to those with which they have existing (economic) links. In addition, asylum seekers generally lack documentation certifying their qualifications (OECD 2016a).

Key integration support institutions for asylum seekers in OECD countries

The following section discusses a range of integration support institutions that are considered to be important for the successful labor market integration of asylum seekers at an early stage after their arrival and before they are accepted as refugees. These institutions have been proposed by the OECD (2016a) and are based on the organization's work on integration policies. The OECD considers that the following five institutions are crucial: language training; adult education combined with long-term language training; skill assessments; civic education and job-related training. Table 1 also displays additional information on the average duration of the asylum procedure (with respect to its duration until a decision in the first instance) and the extent to which asylum seekers have access to the labor market. The assessment is based on the latest OECD data; as also reflected in the DICE Database (DICE Database 2016a; DICE Database 2016b). It is important to note that the following overview is subject to rapid change, as many countries are adjusting their policies in 2016 and the numbers of arrivals are fluctuating. Moreover, the availability of institutions refers to asylum seekers, as opposed to accepted refugees or other immigrants.

In Table 1, we focus on a number of OECD member countries of special relevance to our discussion. As it had the highest total number of first time asylum applicants in the 12 months prior to June 2016 amongst all European OECD countries (Eurostat 2016), the primary focus will be on Germany. In addition, we chose six European countries for the following reasons: Scandinavian countries on grounds of their history of accepting comparably high numbers of refugees in the past (Denmark, Sweden); the next two largest

¹ Ifo Institute (both).

² Number denotes all individuals registered as asylum seekers in the EASY system in 2015. These individuals are likely to seek asylum and apply formally. However, registration in the EASY system is not equivalent to having formally filed a request for asylum. Individuals are considered refugees once they have successfully gone through the application process.

³ Refugees defined as asylum seekers granted asylum.

Table 1

Integration support institutions for asylum seekers (OECD data)						Additional information (OECD data)	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Language training	Adult education combined with long-term language training	Skills assessment	Civic education	Job-related training	Average duration of asylum procedure (to decision in first instance)	Labor market access
Austria	No	No	No	Yes ^{a)}	No	6 months	Yes
Denmark	Yes	No	No	Yes	No	2.5 months	Yes
France	No	No	No	No	No	7 months	Yes
Germany	Yes	No	Yes	Yes	No	5.3 months	Yes ^{d)}
Italy	Yes	Yes	No	Yes	No	3.5 months	Yes
Sweden	Yes	No	No	No	No	7.5 months	Yes ^{e)}
Turkey	Yes ^{b)}	No	No ^{c)}	No	Yes ^{d)}	Not available ^{e)}	Yes

^{a)} In Vienna only. ^{b)} Conditional on holding an internship. ^{c)} Except for specific professions. ^{d)} In textile, computer and internet use, handicrafts, hairdressing, agriculture, animal breeding. ^{e)} Applications shall be finalized within 6 months by law.
^{f)} Except asylum seekers from safe countries of origin (BAMF 2016). ^{g)} Only for asylum seekers with valid IDs.

Source: OECD (2016a) – Merger of Table 1, columns (1) – (6) and Table 2, column (7); Heading based on Table 1; Annotations based on Tables and overall OECD report.

Euro-economies on grounds of similar economic means as Germany (France, Italy) and two countries with a comparatively high relative influx of asylum seekers (Austria, Turkey).

Language training: refers to native-language courses. Germany offers language training to asylum seekers from countries with high acceptance prospects, as do Denmark, Italy, Sweden and Turkey. Germany offers 600 hours of publicly-financed language education with no maximum period of entitlements. Austria and France, in contrast, do not offer institutionalized language training. While the general provision is beneficial for integration, matching supply and demand locally remains a challenge.

Adult education combined with long-term language learning: refers to adult education measures in general such as evening classes, which are accompanied by long-term language training (as a specific long-term type of language training in general, as opposed to one-off up-front language trainings) (OECD 2015). While Italy provides obligatory adult education with language training, Austria, France, Denmark, Germany, Sweden and Turkey do not offer adult education with language training. Germany does offer some optional adult education with transport reimbursement and childcare. However, its non-obligatory nature implies that actual participation rates are likely to be lower than for its obligatory counterpart in Italy, for example. In turn, lower participation is expected to increase necessary welfare

transfers in the long run. Germany could hence seek to adopt Italy's policy of an obligatory program.

Skills assessment: refers to assessments of asylum seekers' previous work experience and certifications. Skills assessments are a vital way of measuring the amount of human capital flowing into a country, allotting resources more effectively and ensuring that refugees do not end up in jobs for which they are overqualified. Germany offers skills assessment, while the other countries do not. It started piloting its early intervention program in 2015 and offers further qualification assessment under its "Professional Qualifications Assessment Act" to asylum seekers with high likelihood of a positive decision (European Parliament 2016). While both programs are still at an early stage, they can be considered an important step in the right direction. Other countries should seek to build on Germany's approach in this regard.

Civic education: refers to civics classes. Austria, Denmark, Germany and Italy all offer such classes, while France, Sweden and Turkey do not. Civic education may not necessarily be essential to labor market integration, but it likely facilitates political and social integration.

Job-related training: refers to all forms of training that are aimed at employment prospects (OECD 2015) of asylum seekers. Only Turkey provides job-related training to asylum seekers whose applications are not yet decided on, though only in a small number of fields. Germany and other OECD countries should consider

following Turkey's lead, especially given the current waiting times until decisions are made.

Labor market access: refers to the possibility of asylum seekers entering the labor market. This issue is particularly pressing in countries that require a significant waiting for recognition; most countries in 2016 have a significant waiting period. The OECD (2016a) emphasizes that asylum seekers from countries with high recognition rates in particular should be granted preliminary access to the labor market. They could also be required to undergo an initial waiting period or to take tests of labor market relevant qualifications. OECD countries have implemented such measures with a variety of nuances. Most selected countries (except Sweden) impose an initial waiting period. Asylum seekers must wait two months in Italy, three months in Austria and Germany, six months in Denmark and nine months in France. While Sweden does not have an initial waiting period, access to the labor market is used as an incentive to make asylum seekers cooperate in the application procedure. Before asylum seekers can work in Sweden, they are supposed to provide valid documents, or at least show that they are actively seeking to obtain them. Denmark, France, Italy and Sweden have no labor market tests in place. Austria and Germany require a test, but Germany exempts asylum seekers from the test if they have already waited 15 months, are highly skilled or eligible for occupations in high demand. In sum, labor market access calls for wise calibration of access criteria and accompanying measures, as well as adjustment to current processing times, but, in turn, makes it possible to ease integration following acceptance as a refugee.

Average duration of asylum procedure (to decision in first instance): refers to the time required to process an asylum seeker and either accept or reject his/her application. Shorter application processing times are better: refugees receive support more quickly, which is especially important in language learning. Denmark has an administration that is able to process asylum requests in only 2.5 months, compared to Germany's 5.3 months. Germany does now helpfully provide an ID card to asylum seekers, which allows different organizations to access their information (OECD 2016b), an idea that other countries may find beneficial to adopt. Germany has also established fast tracking processes for asylum seekers with particularly high and low probabilities of taking a positive decision that improve average processing times for these groups.

Conclusion

The current influx of refugees challenges European institutions and their ability to integrate new arrivals. It becomes increasingly important to better understand what this persistent inflow of asylum seekers will mean for Europe, its economy and the living standards of its native population in both the short and the medium term. As shown by Battisti et al. (2014), final welfare outcomes depend not only on the skill levels of immigrants and the native population, but also on search frictions and unemployment insurance levels.

The finding of potential positive effects is in line with IMF predictions: Aiyar et al. (2016) emphasize that, in the medium term, the effect of the refugee surge will depend on policies that facilitate the integration of refugees into the labor market. Drawing on the OECD proposals discussed in this report can hence be an important first step towards ensuring the successful integration of immigrants and mid-term economic growth.

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